Philippine Institute for Development Studies
*Surian sa mga Pag-aaral Pangkaunlaran ng Pilipinas*

# Revisiting Sectoral Liberalization: An Alternative to the FTAAP? *Implications on the Philippines*

*George Manzano and Myrene Bedaño*

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For comments, suggestions or further inquiries please contact:
**The Research Information Staff,** Philippine Institute for Development Studies
5th Floor, NEDA sa Makati Building, 106 Amorsolo Street, Legaspi Village, Makati City, Philippines
Tel Nos: (63-2) 8942584 and 8935705; Fax No: (63-2) 8939589; E-mail: publications@pids.gov.ph
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PHILIPPINE APEC STUDY CENTER NETWORK
UNIVERSITY OF ASIA AND THE PACIFIC

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This paper develops a modality of liberalization for APEC, based on a sectoral level, as an alternative to the politically-sensitive Free Trade Area of the Asia-Pacific (FTAAP). This model, originally developed by Wonnacott (1994), argues for the liberalization of sectors on an MFN basis, where APEC members are principal suppliers. The main advantage of this option is that it skirts the free rider problem that usually afflicts MFN liberalization. While this approach would benefit APEC as a group, it impacts different members differently. The paper examines the implications of such liberalization modality on the offensive and defensive interests of the Philippines in APEC.

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Keywords: *Asia-Pacific Economic Cooperation (APEC), Early Voluntary Sectoral Liberalization (EVSL), Free Trade Area of the Asia-Pacific (FTAAP), 'principal supplier' approach, sectoral liberalization, trade liberalization.*

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## Executive Summary

After the initial enthusiasm of Bogor waned in the wake of the Asian financial crisis, APEC tried to revive the trade liberalization agenda. The constant search for fresh impetus to revive trade liberalization inspired APEC members to consider the preferential route. The Free Trade Area of the Asia Pacific (FTAAP) has not been met by an overwhelming show of support by all members. While ambitious, a multitude of political sensitivities and the general RTA 'fatigue' factor prevented the FTAAP from advancing forward strongly. Nonetheless, while the recommendation for an FTAAP did not galvanized APEC to initiate negotiations, Leaders did mandate officials "to examine the prospects and options of a possible FTAAP as a long-term prospect".

In view of the sensitive political dynamics among major players and practical difficulties in negotiating a large-scale arrangement, one can well query, "what's a suitable alternative?" The one considered in this paper is sectoral liberalization. The proposed sectoral modality is based on non-discriminatory MFN liberalization, founded on the analytical basis of the 'principal supplier' approach and a variant of the non-preferential trading club. In a departure from the ill-fated Early Voluntary Sectoral Liberalization (EVSL) where the 'voluntary' nomination of sectors for early liberalization is based, to some extent, on the mercantilist interests of individual members, the proposed initiative chooses the sectors to be liberalized on the basis of minimizing free riding of non-APEC members. This paper also provides a system of assessing the offensive and defensive interests of individual members in light of the liberalization methodology proposed.

***The 'Principal Supplier' Criteria***

Following Wonnacott's (1994) methodology, the paper employs the 'principal supplier' criterion in identifying the sectors that can be considered for MFN liberalization. The methodology by Wonnacott prescribes that in order to minimize the free rider problem, tariff reduction should be undertaken on the goods where APEC is a dominant global supplier. The sectoral liberalization on an MFN basis, using the 'principal supplier' approach is designed to maximize the benefits for APEC members collectively.

In the selection of potential candidates for liberalization, the share of APEC in the world exports of goods was used as basis. A large percentage share of exports is taken to indicate that 'free riding' by non-members would be less problematic. As in Wonnacott's study, the export shares of APEC in total world trade are compared with their share in total world exports less intra-EU trade.

Considering those products that APEC corners a share of 70% and above in world exports, the exercise identified a total of 282 commodities. The list is quite varied, reflecting the wide range of products where APEC members have comparative advantage. There is the preponderance of labor-intensive manufactures in the list including electronic parts and components, machineries, clothing, footwear, and toys and games. The list also includes resource-intensive exports with the presence of minerals, metal and non-metal ores, ferrous and non-ferrous metals, wood and wood manufactures, processed vegetable oils and cereals among the identified products. In addition, , counted in the list are commodities that are highly capital-intensive, including machinery, motor vehicles, plastics, organic chemicals, rubber, textile yarns and fabrics, iron and steel, other manufactured metals, and miscellaneous articles.

***Implications on APEC***

To analyze the importance of the selected products in the trade of individual APEC members, these products are classified based on their trade shares and assigned under their corresponding cut-off levels. An assessment of the shares of APEC as a group in the world exports and world imports of the identified commodities indicates that the regional grouping has clear advantage in the export of these

items. At every percentage cut-off, the selected products' shares in exports are much greater than the corresponding share in imports. For instance, the share of the products at the 70% cut-off level in the export of APEC members as a group stands at almost 46%, while the share of these products in the grouping's imports is much lower at 38%. On the other hand, products where APEC accounts for 90% of world trade, comprise only around 14% of world export trade and 11% of world import trade. The implication is that the free riding problem is minimized.

As indicated by the share of APEC as a whole in world exports, 70% may be a reasonable cut-off level because going this far would cover almost half of APEC exports. It is also at the 70% cut-off level where the discrepancy between the share of APEC exports and imports is greatest. The implication here is that the offensive interest of APEC, as a whole, is well-served at this benchmark. In addition, it appears that there will be much to gain from a negotiation which covers products where APEC members provide 70% or more of world exports as the portion of APEC exports covered by a negotiation that only considers the next upper bracket of 75%, is only around 35% of APEC exports.

The selected APEC products were classified by sector. Eleven (11) sectors have been identified for this study – electronics, transport equipments, machineries, metal and metal products, wood and wood-based products, textile and garments, footwear and headgear, agricultural products and raw materials, plastics and rubbers, chemicals, and miscellaneous manufactures.

For every sector, APEC's share in world exports is greater than its share in world imports. However, the discrepancy is very minimal at an average of 2% for all sectors, indicating that while APEC members are strong suppliers of these goods, they are also strong consumers of such items. Of the commodities identified, 78 items or 28% of the total belong to the electronics product group that includes electronic parts and components, consumer electronics, office equipment, and telecommunications equipment. Combined, these products corner 17% of total APEC exports and 16% of total APEC imports, highlighting the trade importance of this set of electronics products.

***Implications on the Philippines***

While the APEC, as a collective, stands to benefit from the proposed sectoral liberalization, its impact on individual members will vary. Obviously, members have different degrees of offensive and defensive interests within and across the sectors. Of interest however, is the overall assessment of the proposed modality. This could be important because the liberalization that is proposed is essentially a package. To examine how APEC members might fare in light of the proposed sectoral modality given their current trade structures, this study provides a system of assessing members' offensive and defensive interests, as aid in decision-making. This paper applies the system to examine the implications of such liberalization modality on the offensive and defensive interests of the Philippines.

For the products in which APEC members provide 70% and more of world exports (less intra-EU trade), the Philippines' APEC partners (that is, all APEC members except the Philippines) imported US$1,915 B in 2005 from all sources. This, quite simply, means that the Philippines, along with everybody else, has improved market access equivalent to the aforementioned value. At the 90% cut-off level, market potential available to the Philippines is significantly reduced by more than two-thirds to US$563 B.

The products where APEC supplies 70% and above of the world's exports constitute close to 75% of total Philippine exports in 2005. This indicates that the Philippine is a dominant supplier for the set of products and that there is relatively little free riding. For the Philippine case, however, a 75% cut-off appears to be most advantageous because the difference between export and import shares is greatest at this level. At the sectoral level, however, there are only around two major sectors – electronics and machineries, which dominate Philippine exports. The rest of the broad sectors do not even account for 1% of total Philippine exports.

For the purpose of evaluating the extent to which the offensive and defensive interests of the Philippines will be served by the sectoral liberalization proposal, a set of criteria is proposed. The system classifies the intensities of the Philippines' offensive and defensive interests into levels (Categories A, B or C) consistent with a set of criteria specified for the level. The indicators for the offensive interest includes the magnitude of the potential export capability and the current average MFN tariff levied by APEC partners on the sectors programmed for liberalization. On the other hand, indicators for the defensive interest include the presence of tariff peaks and relative magnitudes of the MFN tariffs of the sectors in the region against the national average for the broad sector. The offensive and defensive interests are deemed stronger if the variables identified in the criteria are simultaneously met. The position is said to be moderate or weak when either one of the criteria are met, but not simultaneously.

The case study on the Philippines showed that sectoral liberalization, whilst serving its offensive interests, have a negative impact on the defensive interests in some sectoral categories. The sectors identified account for around 75% of total Philippine exports (primarily because electronics is part of the list). While initial observation would indicate a very strong offensive interest, an examination of the current tariff facing the Philippines in electronics would reveal very low tariffs. On the other hand, the sectors include footwear, garments and other items where the Philippines may have sensitivities. In addition, the analysis of the offensive and defensive interests is augmented by considerations of whether the tradeable commodities specified in the identified sectors are indeed produced in the Philippines. Clearly because of the trade-offs, a balancing of the political economy of sectoral liberalization has to be struck.

***Final Remarks***

This paper puts forward sectoral liberalization on an MFN basis as alternative to the FTAAP. In a departure from the failed EVSL, the proposed initiative chooses the sectors to be liberalized on the basis of minimizing free riding of non-APEC members. Candidates for sectoral liberalization are those sectors where APEC economies supply a significant portion of world exports.

In the case of the Philippines, this paper concludes that the Philippines has moderate offensive and defensive interests in the sectors identified for liberalization. Of course, this analysis did not take into consideration the increase in consumer welfare that liberalization makes possible.

Admittedly, the proposed sectoral initiative has a more modest claim to liberalization outcomes compared to the FTAAP. However, the outcomes may be more politically acceptable to members because of the manner in which the free rider problem is skirted. Thus, there could be greater scope for APEC members to harmonize their liberalization efforts by targetting the selected sectors. In addition, because of its MFN characteristic, it is more in keeping with the WTO principle, and could, in fact, be a catalyst in pushing forward the DDA. This is open regionalism.

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This paper develops a modality of liberalization for APEC, based on a sectoral level, as an alternative to the politically-sensitive Free Trade Area of the Asia-Pacific (FTAAP). This model, originally developed by Wonnacott (1994), argues for the liberalization of sectors on an MFN basis, where APEC members are principal suppliers. The main advantage of this option is that it skirts the free rider problem that usually afflicts MFN liberalization. While this approach would benefit APEC as a group, it impacts different members differently. The paper examines the implications of such liberalization modality on the offensive and defensive interests of the Philippines in APEC.

## I. Introduction

The concept of open regionalism is a fuzzy one. Bandied about when APEC was newly formed and subsequently echoed by F. Bergsten (1997), this concept was understood as a concerted unilateral liberalization. However, the euphoria in the APEC process that emanated from the Bogor meetings waned as the Asian financial crisis struck in 1997. As most of Asia grappled with the crippling effects of the crisis, and as a backlash against 'globalization' grew in intellectual circles, the political support for trade liberalization across APEC faltered or at least failed to match the rhetoric of previous leaders' declarations. In addition, as the Doha Round bogged down amidst squabbles on agriculture trade, regional trade agreements (RTAs) proliferated. Even within APEC, a multitude of RTAs bloomed, threatening to overshadow APEC's role as a driver of trade. In an effort to put the APEC profile back to its prominence, the Free Trade Area in the Asia-Pacific (FTAAP) was proposed in 2004. However, given the current trade tensions among some members, the political support for such an agreement has become questionable. Yet, there remains the imperative for fresh initiatives to keep the bicycle of trade liberalization moving. Given this backdrop, this paper presents another modality to support APEC's trade liberalization pillar and to provide an alternative to the FTAAP proposal.

This paper develops a modality based on sectoral liberalization, reminiscent of the Early Voluntary Sectoral Liberalization (EVSL). However, in contrast to the ill-fated EVSL, where the 'voluntary' nomination of sectors for early liberalization is based, to some extent, on the mercantilist interests of individual members, the proposed paper will employ a more analytical method for identifying the sector to be slated for liberalization. Central to this modality is the basis for selection of sectors to be liberalized. Following Wonnacott's (1994) methodology, the paper will use the 'principal supplier' criterion in identifying the sectors that can be considered for MFN liberalization.

The sectoral liberalization on an MFN basis, using the 'principal supplier' approach is designed to maximize the benefits for APEC members, as a whole. However, it affects different members in different ways, depending on their offensive and defensive interests. To highlight the implications of the sectoral liberalization on individual members, a case study of the Philippines will be conducted.

## II. FTAAP Anyone?

Currently, there is an increasing risk that the APEC will miss the Bogor goals, launched amidst great fanfare in 1994. Hence, the constant search for fresh impetus to revive trade liberalization under the APEC context. One initiative to push for the Bogor goals is via the preferential route, i.e., creating a massive RTA encompassing all APEC members. The proposed RTA, dubbed as the FTAAP, represents a significant departure from APEC's approach to trade liberalization. APEC distinguishes itself from conventional preferential models with its strict adherence to 'open regionalism'. Specifically, the organization subscribes to the 'concerted unilateralism' variant of the broad concept that entails the simultaneous unilateral action on the part of APEC members to spur more trade in a less discriminatory manner. This unique character of APEC seeks to ensure that it will serve as a 'building block' to global trade liberalization, rather than a 'stumbling block'. Clearly, an RTA would involve a complete overhaul of the APEC modality to trade liberalization – from a non-discriminatory approach to trade liberalization underpinned by voluntary and non-binding commitments towards an explicit preferential arrangement established through negotiations of reciprocal trade concessions that are legally-binding.

An RTA among APEC members is expected to have a profound influence in global economic affairs. By virtue of members' combined sizes, the FTAAP would easily be one RTA megabloc. Hence, given that all APEC members participate in the proposed integration, any major action by APEC under the FTAAP would definitely have far-reaching feedback and flow-through effects. An APEC-wide RTA would also make good geopolitics. As APEC members move as one block they could enjoy greater negotiating leverage than they would individually as they are able to potentially negotiate for more concessions from prospective partners.

**Context of the FTAAP**. The interest in the APEC RTA concept is motivated by a set of reinforcing factors. As mentioned earlier, the primary motive emanates from the challenge for APEC to revitalize its faltering trade agenda. In addition, the FTAAP is a response to the gridlocked WTO negotiations, as well as the proliferation of preferential agreements in the Asia Pacific region.

***APEC at a crossroad***. APEC has drawn considerable criticism over the years for its stalled trade agenda. Critics point to the demise of the EVSL scheme and the ineffectiveness of the Individual Action Plan (IAP) process as the drag on APEC's credibility and momentum. The string of unsuccessful attempts leave members unenthused and less willing to engage actively and invest resources in the organization – thus, undermining support.

The failure of the EVSL in the late 1990s was a defining moment for APEC. It revealed that the mechanisms by which the organization operates, while well-received, are practicably-flawed. For one, the outcome has demonstrated that significant trade liberalization may not be achieved by mere reliance on voluntary action by members kept in check only by friendly reminders by peer groups.

***Disappointing WTO outcomes***. APEC leaders have, in times past, been expected to give a resounding call for a speedy conclusion of the current WTO round. However, the Doha round on reducing global trade barriers remains deadlocked after a series of failed attempts to address some sensitive issues particularly the modalities for phasing-out farm tariffs and subsidies. Despite intense negotiations during the last week of July 2008, the expected breakthrough did not materialize amidst disagreement on the provisions on special safeguards for farm products.

The absence of credible progress towards the target of global free trade in the multilateral system, however, has compelled most APEC members to look for alternative means to advance their trade interests. The route of engaging in preferential trading arrangements appears to be the more popular mode. Whether this route undermines the 'open regionalism' nature of APEC, will depend on how one views RTAs – either as 'building blocks' or 'stumbling blocks' to the multilateral process, as will

be discussed below. At any rate, given the administrative and organizational demands of engaging in RTAs, there could be real possibilities of resource diversion away from APEC matters towards the RTAs.

***RTA flurry in the Asia Pacific***. When the roadblocks to the successful completion of the Doha Round seemed intractable the appeal of the preferential route intensified more. RTA activity is most conspicuous in the Asia Pacific region as demonstrated by the formation of new bilaterals, enlargement of existing arrangements, and coalescence of existing bilateral and plurilateral arrangements.

The RTA trend is unlikely to reverse especially in the near term due the 'domino effect' that stirs countries to aggressively pursue RTAs as a defensive maneuver. In order to maintain parity in market access in their major trading partners, countries are left with little choice but to join existing RTAs or seek their own free trade pacts, especially when direct competitors in export products have already secured, or are in the process of negotiating their own preferential trade agreements. As a consequence of being excluded, certain countries would inevitably see their trading positions eroded resulting in the decline in their market shares.

A general concern relating to the active participation by APEC members in RTAs is that it puts the relevance of APEC and WTO at risk. This line of reasoning follows the 'stumbling block' argument of Bhagwati and Panagariya (1996). As interest, political focus and administrative capacity are invested towards designing, negotiating, and implementing RTAs; fewer and fewer resources are made available to these two fora.

Furthermore, to a certain extent, it could be said that participation in RTA has diminished countries' efforts to gradually liberalize trade unilaterally as committed in APEC. Members may have held back their liberalization efforts for them to use remaining trade barriers as 'bargaining chips' in negotiations. Intuitively, countries that have gone the farthest in liberalizing their trade regimes have not much left to offer prospective partners, and with their concessions seen as too minimal or insignificant are disadvantaged to cut more attractive trade deals.

**Merits of an FTAAP**. There are a number of compelling reasons why the FTAAP should be considered according to the presentation by the ABAC (2004) and Bergsten (2007). Most importantly, the FTAAP is seen as an effective way to keep APEC from languishing, to provide the much-needed impetus to the stalled Doha Round, to keep the 'bicycle' of trade liberalization rolling if the round continues to be derailed, and to arrest the exploding proliferation of RTAs.

***To breathe new life into APEC***. Trade liberalization is one of the three main pillars of APEC. APEC's 'value' is linked inextricably on its progress in achieving the goals it has declared in Bogor. However, the credibility of APEC is imperiled as the Bogor targets remain elusive.

The big question mark is whether the organization in its present form would be able to meet this challenge. Perhaps, there seem to be some disconnect between the expectations and actual performance of APEC on policy outcomes. APEC was never meant to be a forum for negotiations, and its decision-making mechanism is based on consensus. The emphasis on consensus and flexibility in the spirit of the 'ASEAN way', may make it unsuitable for hard actions as the EVSL demonstrated. The FTAAP is considered to be an effective way to energize APEC and to get it right back on the trade liberalization track.

***Need for a back-up plan***. The FTAAP is considered to be a plausible fallback plan should the DDA falter (ABAC, 2004; and Bergsten, 2007). With fewer parties involved, compared to the WTO, it is expected that the FTAAP would be relatively easier and expedient to negotiate, with the resulting framework agreement tailored-fit to regional conditions.

The FTAAP is considered to be a far more ambitious endeavor than the DDA in a certain sense. To pass the WTO-consistency test, the FTAAP must eliminate tariffs on 'substantially all trade'. In addition,

note that the tariffs negotiated in FTAs are the applied, ones hence there is no 'water' that can serve as policy space[1]. Furthermore, if the FTAAP would be of 'high-quality' then it would conceivably put on the agenda those issues that do not even register in the current WTO menu such as the 'Singapore issues'.

***To untangle the enmeshed RTA web***. Observably, RTAs are especially in vogue in the Asia Pacific as virtually every possible combination of countries in the region has already inked a trade pact, is currently engaged in RTA negotiations, preliminary discussions or, at least, in the feasibility studies stage.

One of the key advantages of the FTAAP is that it could potentially embrace the smaller deals already in place and harmonize the hodge-podge of rules governing several unrelated framework agreements – for example, the multiple interim timetables, system of rules of origin (ROOs), list of exclusions, and product standards, which have raised compliance and transactions costs, with those dealing with ROOs considered to be the most costly and cumbersome of all. A single RTA that would meld the multitude of RTAs in the region and rationalize the different provisions contained in these arrangements could well be the solution to the 'spaghetti bowl' or 'noodle bowl' effect of overlapping RTAs. Currently, there are already initiatives being tabled such as the study of the convergence and divergence of existing RTAs among APEC members. If there are considerable commonalities among existing agreements, then merging or docking should be more plausible. On the other hand, should there be significant differences observed, cooperative efforts can be directed towards searching for solutions.

**Feasibility of the FTAAP**. As discussed earlier, while the FTAAP possesses certain merits there are serious questions about its feasibility in the foreseeable future. One difficulty pertains to the plethora of interests and sensitive political dynamics among major players, which makes it difficult to peddle the FTAAP. There are also a number of practical difficulties in negotiating such a large-scale arrangement which could dampen the expectations of a successful conclusion in the near future.

First and foremost, the extraordinary heterogeneity of APEC members, especially in their stages of economic development, acts as a very significant roadblock in the way of the FTAAP. Because of the variety of APEC's composition, with members ranging from small to large developed, developing, and transition economies, finding common grounds will not be very easy.

Negotiations are expected to bring to surface divergent priorities and approaches to trade accords. Developed members would likely bat for a 'high-quality' agreement with a more expansive agenda, covering aside from merchandise trade, provisions on investment, services, trade facilitation, intellectual property rights, and competition policy among many others. Whereas developing members that are used to having some 'breathing room' in the implementation of their trade liberalization commitments would put more focus on negotiating flexibility in the form of special and differential treatment, trade remedy measures, etc. (Bergsten, 2007).

Secondly, though the FTAAP would only involve 21 economies in contrast to the 153-member WTO, there is no guarantee that negotiations would be more manageable. It is likely that the polarized interests of developed and developing members at the WTO would reappear in the FTAAP. Expectedly, sticky issues that are hard to tackle in the Doha negotiations would be as difficult in the FTAAP.

Thirdly, while several controversial issues have to do with economics, a number of issues are more political in nature, including historical grievances (i.e., China-Chinese Taipei), geopolitical rivalries (i.e., US-Japan and China-Japan), and strained diplomatic relations (i.e., US-China). Specifically, Aggarwal (2007) considers the reported trade deficit of the US with China, which has ballooned from US$83.8 B in 2000 to US$256.3 B in 2007[2], makes any bid for an RTA with the trade giant "dead on arrival" in the US congress.

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[1] In the WTO, what is negotiated is the 'bound' tariff. The difference between the bound and the applied tariff is termed 'water.'
[2] US Census Bureau, Foreign Trade Statistics.

Morrison (2007) expressed strong apprehension that members would entertain the FTAAP idea for its overall political unpalatability. The FTAAP would necessitate a modification of the fundamental characteristics of APEC – from 'voluntary', 'non-binding', and 'non-discriminatory' to its absolute anti-thesis, 'obligatory', 'legally-binding', and 'discriminatory' – considering that most members would resist the change is enough to shoot down the proposal. Furthermore, members fully aware of the difficulties of negotiating such a large-scale arrangement and given the unimpressive track record of APEC are not much inspired by the idea. In addition, the long period of time it would take to hammer out the RTA and the suggested standstill of all other on-going integration negotiations are particularly discouraging. The negotiations would also require strong leadership by key APEC economies throughout the process, particularly US, Japan, and China, either singly or in some combination; however, these economies harbor political sensitivities involving trade that may work against the FTAAP.

Lastly, APEC negotiators have a gargantuan task ahead of them if the FTAAP proposal advances. Designing, negotiating and implementing RTAs consume significant policymaking and capital resources. The capacity to take part in the RTA is not symmetric among APEC members and most of them are not well-prepared to enter into negotiations of such a large-scale arrangement. In fact, in many developing members scarce analytical and negotiating capacities are already being overstretched given their current participation in too many RTAs. Hence, the FTAAP would well be 'crowding out' resources from members.

## III. EVSL Redux

In view of these thorny issues revolving around the FTAAP and the gridlock on the DDA, one can well query, "what's a suitable alternative?" Certainly, unilateral liberalization is one. While the economic arguments for this modality are many, a negative feature is that it would amount to giving the rest of the world a 'free ride' as non-members automatically benefit from the tariff reductions by APEC members without making corresponding liberalization measures. Another avenue is sectoral liberalization. Central to the aforementioned modality is the selection criteria of the sectors. Unlike the *ad hoc* nature of sector selection in the failed EVSL, the selection criterion has more analytical basis.

### A. Theoretical Foundations

To the knowledge of the authors, there is no paper in the literature that specifically provides a theoretical justification for sectoral liberalization on an MFN basis, along the 'principal supplier' criteria in Wonnacott (1994). There is a related literature that explains the merits of a non-preferential trading club, which is one interpretation of 'open regionalism'.

Raimondos-Moller and Woodland (2006) wrote the first paper that discussed the theoretical foundation of the advantages of 'open regionalism'. One variant of 'open regionalism' is the non-preferential club which is a group of countries that agree to coordinate their non-discriminatory tariff policies and to undertake internal income transfers. They argue that a non-preferential trading club, by undertaking coordinated tariff reforms, can improve the efficiency of the resource allocation and welfare of the members of the club, at the same time leave the welfare of the non-members untouched, i.e. a Pareto-improvement. An important feature though is that the 'coordinated tariff reforms' of the club members requires some members to raise their tariffs and some to fall or even allow subsidies. They argue that a non-preferential club is consistent with the spirit of the WTO in that whatever arrangements members make to improve their welfare, does not harm the welfare of the rest of the world.

The proposed sectoral liberalization modality proposed in this paper, share many characteristics of a non-preferential trading club. First, the liberalization, being undertaken on an MFN basis, is non-preferential. Second, it is to be undertaken by a subset of the global economy, in this case APEC members. Third, it should not leave the rest of the world worse-off, by keeping the prices to non-

members unchanged despite the internal changes among club members. Obviously world prices would not be held constant in the process of the APEC sectoral liberalization, as the APEC members are dominant producers and consumers in the aforementioned sectors. However, one may argue that because the tariff movements of the APEC members are, of course, downwards, and granted on an MFN basis, the non-members will not likely be harmed.

### B. The 'Principal Supplier' Criteria

To lessen the possibility of outsiders free riding on the trade liberalization efforts by APEC, the challenge is to identify those areas in which the benefits of trade liberalization would redound mostly on APEC members than on non-members. Earlier work that addressed the issue of free riding is by Wonnacott (1994) that suggested a trade liberalization scheme on a selective product-by-product basis wherein countries choose the commodities for early liberalization based on a pre-defined criteria. Specifically, the methodology by Wonnacott prescribes that in order to minimize the free rider problem, tariff reduction should be undertaken on the goods where APEC is a dominant global supplier. Intuitively, the benefits of tariff reductions on these goods would largely accrue to APEC members, simply, because non-APEC members do not export them in a major way.

In the selection of potential candidates for liberalization, the share of APEC in the world exports of goods was used as basis. A large percentage share of exports is taken to indicate that 'free riding' by non-members would be less problematic. As in Wonnacott's study, the export shares of APEC in total world trade are compared with their share in total world exports less intra-EU trade. Trade between EU member countries is discounted on the ground that it is becoming more and more concentrated between them. For this exercise, commodities are examined at a fairly disaggregated 6-digit level based on the Harmonized System (HS) Commodity Classification Code.

The products in which the built-in incentives for early liberalization for APEC are the greatest because of the predominance of APEC in trade are enumerated in Table 1. Presented are the products that APEC enjoys a share of at least 70% of world exports (not counting intra-EU trade).

The list contains a total of 282 commodities. The list is quite varied, reflecting the wide range of products where APEC members have comparative advantage. There is the preponderance of labor-intensive manufactures in the list including electronic parts and components, machineries, clothing, footwear, and toys and games. Low wages in developing members is the main source of APEC's advantage in this area. The list also includes resource-intensive exports since many APEC members are richly-endowed with natural resources and land. Hence, the presence of minerals, metal and non-metal ores, ferrous and non-ferrous metals, wood and wood manufactures, processed vegetable oils and cereals among the identified products.

Counted in the list are commodities that are highly capital-intensive, including machinery, motor vehicles, plastics, organic chemicals, rubber, textile yarns and fabrics, iron and steel, other manufactured metals, and miscellaneous articles.

## Table 1: 'Principal Supplier' Goods: Products for which APEC Provide the Principal Supply in World Exports[3]

| Rank | HS Code | Description | Exports (In US$ Billion) | | | Share (In Percentage) | | |
|---|---|---|---|---|---|---|---|---|
| | | | APEC | World | World Less Intra-EU Trade | To World | To World Less Intra-EU Trade | Difference |
| 1 | 854219 | Monolithic integrated circuits, nes | 3,564 | 3,564 | 3,564 | 100.00 | 100.00 | 0.00 |
| 2 | 900120 | Sheets and plates of polarising material | 4,241 | 4,253 | 4,245 | 99.71 | 99.89 | 0.18 |
| 3 | 901380 | Optical devices, appliances and instruments, nes, of this Chapter | 28,838 | 29,387 | 29,167 | 98.13 | 98.87 | 0.74 |
| 4 | 847010 | Electronic calculators capable of oper w/o an external source of power | 1,535 | 1,700 | 1,554 | 90.30 | 98.79 | 8.49 |
| 5 | 845691 | Machine tools for dry etching printed circuits | 2,672 | 2,729 | 2,706 | 97.91 | 98.74 | 0.83 |
| 6 | 851999 | Sound reproducing apparatus, not incorporating a sound recorder, nes | 8,902 | 9,579 | 9,023 | 92.93 | 98.66 | 5.73 |
| 7 | 950639 | Golf equipment nes | 1,790 | 1,861 | 1,823 | 96.22 | 98.23 | 2.01 |
| 8 | 852713 | Radio apparatus nes with sound recording/reproducing | 2,329 | 2,906 | 2,372 | 80.16 | 98.19 | 18.03 |
| 9 | 852290 | Parts and accessories of apparatus of heading Nos 85.19 to 85.21, nes | 14,065 | 15,035 | 14,337 | 93.55 | 98.11 | 4.56 |
| 10 | 950410 | Video games of a kind used with a television receiver | 5,994 | 7,041 | 6,114 | 85.14 | 98.05 | 12.91 |
| 11 | 854240 | Hybrid integrated circuits | 18,980 | 19,995 | 19,379 | 94.92 | 97.94 | 3.02 |
| 12 | 852320 | Unrecorded magnetic discs | 3,412 | 3,651 | 3,497 | 93.46 | 97.59 | 4.13 |
| 13 | 852731 | Radio broad rece combind with sound recordg or reproducg apparatus nes | 2,932 | 3,442 | 3,006 | 85.18 | 97.55 | 12.37 |
| 14 | 850780 | Electric accumulators, nes | 7,754 | 8,534 | 7,988 | 90.86 | 97.07 | 6.21 |
| 15 | 854290 | Parts of electronic integrated circuits and microassemblies | 10,616 | 11,155 | 10,948 | 95.17 | 96.97 | 1.80 |
| 16 | 851650 | Microwave ovens | 2,843 | 3,428 | 2,933 | 82.93 | 96.92 | 13.99 |
| 17 | 950490 | Art funfair,game tab,pintab,sp tab casino game&auto bowl alley equip | 7,836 | 9,185 | 8,086 | 85.32 | 96.91 | 11.59 |
| 18 | 950341 | Stuffed toys representing animals or non-human creatures | 2,309 | 2,748 | 2,386 | 84.02 | 96.75 | 12.73 |
| 19 | 852190 | Video recording or reproducing apparatus nes | 12,705 | 16,096 | 13,165 | 78.93 | 96.51 | 17.58 |
| 20 | 900211 | Objective lenses f cameras,projectors/photographic enlargers/reducers | 2,490 | 2,760 | 2,581 | 90.23 | 96.48 | 6.25 |
| 21 | 741021 | Foil of refined copper, backed | 2,539 | 2,854 | 2,639 | 88.96 | 96.19 | 7.23 |
| 22 | 853222 | Electrical capacitors, fixed, aluminium electrolytic, nes | 2,874 | 3,329 | 2,989 | 86.32 | 96.12 | 9.80 |
| 23 | 390330 | Acrylonitrile-butadiene-styrene (ABS) copolymers | 6,022 | 6,954 | 6,266 | 86.60 | 96.09 | 9.49 |
| 24 | 261390 | Molybdenum ores and concentrates nes | 3,248 | 3,383 | 3,380 | 96.01 | 96.09 | 0.08 |
| 25 | 392640 | Statuettes and other ornamental articles, of plastics | 1,902 | 2,197 | 1,985 | 86.57 | 95.84 | 9.27 |
| 26 | 640219 | Sports footwear, outer soles and uppers of rubber or plastics, nes | 2,117 | 2,591 | 2,210 | 81.70 | 95.79 | 14.09 |
| 27 | 847130 | Portable digital computers <10kg | 44,529 | 56,003 | 46,504 | 79.51 | 95.75 | 16.24 |
| 28 | 852390 | Prepared unrecorded media for sound recording or other phenomena nes | 9,432 | 12,186 | 9,855 | 77.41 | 95.71 | 18.30 |
| 29 | 840721 | Outboard motors, spark-ignition reciprocating or rotary type | 1,943 | 2,455 | 2,035 | 79.12 | 95.48 | 16.36 |
| 30 | 901390 | Parts and accessories of optical appliances and instruments, nes | 8,960 | 9,753 | 9,387 | 91.88 | 95.45 | 3.57 |
| 31 | 420212 | Trunks,suit-cases&sim container w/outer surface of plastics/textiles | 4,271 | 5,068 | 4,475 | 84.27 | 95.44 | 11.17 |
| 32 | 151190 | Palm oil and its fractions refined but not chemically modified | 6,094 | 6,963 | 6,388 | 87.51 | 95.39 | 7.88 |
| 33 | 854250 | Electronic microassemblies | 7,588 | 8,382 | 7,966 | 90.53 | 95.26 | 4.73 |
| 34 | 160590 | Molluscs and other aquatic invertebrates prepared or preserved | 1,613 | 1,960 | 1,699 | 82.32 | 94.96 | 12.64 |
| 35 | 261310 | Molybdenum concentrates, roasted | 4,427 | 5,848 | 4,665 | 75.69 | 94.90 | 19.21 |
| 36 | 854230 | Monolithic integrated circuits | 72,896 | 82,689 | 76,876 | 88.16 | 94.82 | 6.66 |
| 37 | 950390 | Toys nes | 6,118 | 7,941 | 6,455 | 77.05 | 94.78 | 17.73 |
| 38 | 020319 | Swine cuts, fresh or chilled, nes | 1,650 | 5,369 | 1,745 | 30.74 | 94.58 | 63.84 |
| 39 | 851890 | Parts of microphones,loudspeakrs,headphones,earphones&elec sound ampli | 2,168 | 2,565 | 2,293 | 84.54 | 94.56 | 10.02 |
| 40 | 841451 | Fans: table,roof etc w a self-cont elec mtr of an output nt excdg 125W | 2,591 | 2,974 | 2,741 | 87.14 | 94.54 | 7.40 |
| 41 | 871140 | Motorcycles with reciprocatg piston engine displacg > 500 cc to 800 cc | 2,203 | 3,282 | 2,332 | 67.11 | 94.44 | 27.33 |
| 42 | 080212 | Almonds,fresh or dried,shelled or peeled | 1,552 | 2,270 | 1,646 | 68.38 | 94.33 | 25.95 |
| 43 | 900691 | Parts and accessories for photographic cameras | 2,012 | 2,297 | 2,139 | 87.59 | 94.09 | 6.50 |
| 44 | 401519 | Gloves nes of rubber | 1,823 | 2,116 | 1,942 | 86.17 | 93.90 | 7.73 |
| 45 | 853120 | Indicator panels incorporatg liquid crystal device/light emittg diode | 9,293 | 12,453 | 9,897 | 74.62 | 93.89 | 19.27 |
| 46 | 852721 | Radio rece nt capabl of op w/o ext source of power f motor veh,combind | 5,257 | 8,386 | 5,605 | 62.68 | 93.78 | 31.10 |
| 47 | 640319 | Sports footwear,o/t ski,outr sole of rbr/plas/leather&upper of leather | 3,518 | 4,411 | 3,756 | 79.76 | 93.67 | 13.91 |
| 48 | 853224 | Electrical capacitors, fixed, ceramic dielectric, multilayer, nes | 5,101 | 5,970 | 5,447 | 85.43 | 93.64 | 8.21 |
| 49 | 854121 | Transistors,oth than photosensit,w a dissipation rate < 1 W | 4,568 | 5,111 | 4,881 | 89.39 | 93.59 | 4.20 |
| 50 | 851830 | Headphones, earphones and combined microphone/speaker sets | 2,619 | 3,417 | 2,801 | 76.66 | 93.52 | 16.86 |

[3] The list is continued in Annex A.

To analyze the importance of the selected products in the trade of individual APEC members, these products are classified based on their trade shares. Panel A in Annex B shows the imports of APEC partners above each cut-off level. The figures shown here give a rough approximation of the value of the market that would be opened for each APEC member indicated when APEC partners bring down their tariffs on the items that lie above the chosen cut-off lines. Panels B and C convey much useful information of the stakes of individual APEC members as it identifies the importance of these products, given by their shares in the export and import trade of members. Panel D provides the difference between the shares in total exports and shares in total imports.

**Table 2: Importance of 'Principal Supplier' Goods to APEC by Cut-off Level (2005)**

| Cut-off Level | Share in Total APEC Exports (%) | Share in Total APEC Imports (%) | Difference in EX-IM Shares (%) | Intra-Bracket Difference in Export Shares (%) | Ave. Increments per 5% Bracket (%) |
|---|---|---|---|---|---|
| **70%** | 45.63 | 38.45 | 7.18 | | |
| **75%** | 34.60 | 28.83 | 5.77 | 11.03 | 2.21 |
| **80%** | 29.42 | 24.74 | 4.68 | 5.18 | 1.04 |
| **85%** | 24.05 | 20.26 | 3.79 | 5.37 | 1.07 |
| **90%** | 13.97 | 11.47 | 2.50 | 10.08 | 2.02 |

Source: Authors' calculations using ITC TradeMap data
Notes:
Share in APEC Exports = Share of Goods in the cut-off level and above in Total APEC Exports
Share in APEC Imports = Share of Goods in the cut-off level and above in Total APEC Imports
Difference in EX-IM Shares = Share in APEC Exports - Share in APEC Imports
Intra-Bracket Difference = Ex. Share in APEC Exports (70%) - Share in APEC Exports (75%)
Ave. Increments per 5% Bracket = Ex. [(Share in APEC Exports (70%) - Share in APEC Exports (75%)] ÷ 5

Looking at the shares of APEC as a whole in the world exports and world imports of the identified commodities in Table 2 indicates that the regional grouping has clear advantage in the export of these products. For example, the share of the products at the 70% cut-off level in the export of APEC members as a group stands at almost 46%, while the share of these products in the grouping's imports is much lower at 38%. On the other hand, products where APEC accounts for 90% of world trade, on the other hand, comprise only around 14% of world export trade and 11% of world import trade. At every percentage cut-off, the selected products' shares in exports are much greater than the corresponding share in imports. The implication is that the free riding problem is expected to be small.

What could be a suitable benchmark to distinguish a product or sector to be one where APEC is a principal supplier? In the first place, the cut-off level measured by the share of APEC exports to world exports should be that which maximizes the gap between the share of APEC exports to world exports and its corresponding share of world imports. The idea is to look for cut-off level where the offensive interest, as proxied by the relative share of APEC exports to world exports, is secured relative to the defensive interests, as represented by the relative share of APEC in world imports. As indicated by the share of APEC as a whole in world exports, 70% may be a reasonable cut-off level because going this far would cover almost half of APEC exports. Additionally, as Table 2 reports, it is at the 70% cut-off level where the discrepancy between the share of APEC exports and imports is greatest (Column 4). The implication here is that the offensive interest of APEC, as a whole, is well-served at the benchmark for the 'principal supplier' at the 70% level. In addition, it appears that there will be much to gain from a negotiation which covers products where APEC members provide 70% or more of world exports. A s mentioned earlier, at a cut-off rate of 70%, the percentage of APEC exports covered is close to 46% which is quite sizeable already. At the same time, the portion of APEC exports covered by a negotiation that only considers the next upper bracket of 75%, is only around 35% of APEC exports. As Column 5 of Table 2 shows, the average coverage of APEC exports that will not be included in the sectoral negotiations is greatest when the cut-off point is raised from 70% to 75%.

Specifically, the portion of APEC exports that is not covered declines by 11.03%, representing an average decrease of 2.21% per percentage rise of cut-off between 70% and 75%.

For tractability, the selected APEC products were classified by sector. Eleven (11) sectors have been identified for this study – electronics, transport equipments, machineries, metal and metal products, wood and wood-based products, textile and garments, footwear and headgear, agricultural products and raw materials, plastics and rubbers, chemicals, miscellaneous manufactures. The commodity coverage of the sectors of interest is presented in Table 3.

**Table 3: Product Coverage of Selected Sectors**

| Sector | HS Commodity Classification |
|---|---|
| **Electronics** | Ch. 85 |
| **Transport equipments** | Ch. 86 - 89 |
| **Machineries** | Ch. 84 and 90 |
| **Metal and metal products** | Ch. 72 - 83 |
| **Wood and wood products** | Ch. 42 - 49 |
| **Textile and garments** | Ch. 50 - 63 |
| **Footwear and headgear** | Ch. 64 - 65 |
| **Agricultural goods and raw materials** | Ch. 01 - 23 and 26 - 27 |
| **Plastics and rubbers** | Ch. 39-40 |
| **Chemicals** | Ch. 26 - 27 |
| **Miscellaneous manufactures** | Ch. 91 - 98 |

**Table 4: Importance of 'Principal Supplier' Goods to APEC by Sector (2005)**

| Sector | Share in Total APEC Exports (%) | Share in Total APEC Imports (%) | Difference in EX-IM Shares (%) |
|---|---|---|---|
| **TOTAL 'Principal Supplier' Goods** | **45.63** | **38.45** | **7.18** |
| **TOTAL Sectors** | **44.79** | **37.73** | **7.06** |
| **Sectors:** | | | |
| **Electronics** | 17.17 | 15.60 | 1.57 |
| **Transport Equipments** | 6.39 | 4.93 | 1.46 |
| **Machineries** | 11.30 | 9.05 | 2.25 |
| **Metals and metal products** | 1.35 | 1.14 | 0.21 |
| **Wood and wood products** | 0.72 | 0.82 | -0.10 |
| **Textile and garments** | 0.94 | 0.62 | 0.32 |
| **Footwear and headgear** | 0.62 | 0.49 | 0.13 |
| **Agricultural goods and raw materials** | 2.11 | 1.42 | 0.69 |
| **Plastics and rubbers** | 2.01 | 1.73 | 0.28 |
| **Chemicals** | 0.94 | 0.79 | 0.15 |
| **Miscellaneous manufactures** | 1.24 | 1.14 | 0.10 |

Source: Authors' calculations using ITC TradeMap data
Notes:
Share in APEC Exports = Share of Goods in the sector in Total APEC Exports
Share in APEC Imports = Share of Goods in the sector in Total APEC Imports
Difference in EX-IM Shares = Share in APEC Exports - Share in APEC Imports

Of the commodities identified, 78 items or 28% of the total belong to the electronics product group that includes electronic parts and components, consumer electronics, office equipment, and telecommunications equipment. Combined, these products corner 17% of total APEC exports and 16% of total APEC imports, highlighting the trade importance of this set of electronics products.

Many of the developing members of APEC specialize in labor-intensive assembly-type operations. Particularly, APEC's East Asian members have been playing an increasing role in these

supply networks, especially with regard to trade in parts and components of electronic products, indicating their importance in international production sharing.

For every sector, APEC's share in world exports is greater than its share in world imports. However, the discrepancy is very minimal at an average of 2% for all sectors, indicating that while APEC members are strong suppliers of these goods, they are also strong consumers of such items[4].

## IV. Implications on the Philippines

Earlier, it was argued that the sectoral liberalization based on the 'principal supplier' approach would be beneficial to APEC as a whole. However, the impact on the individual members would vary. What are the implications of the proposed modality of liberalization on the Philippines? More specifically, to what extent does the sectoral liberalization serve its offensive and defensive interests?

Based on Table 5, for the products in which APEC members provide 70% and more of world exports (less intra-EU trade), the Philippines' APEC partners (that is, all APEC members except the Philippines) imported US$1,915 B in 2005 from all sources. This, quite simply, means that the Philippines along with everybody else have improved market access (due to sectoral liberalization) equivalent to the aforementioned value. It could be seen that at the 90% cut-off level, market potential available to the Philippines is significantly reduced by more than two-thirds to US$563 B.

The figures computed were highest in the case of the Philippines, implying the importance of the products involved in the country's trade (Refer to Annex B). First of all, the products where APEC supplies 70% of the world's exports constitute close to 75% of total Philippine exports in 2005. This indicates that the Philippine is a dominant supplier for the set of products and that there is relatively little free riding. Furthermore, the difference at the 70% and 75% between share of selected products in total exports and imports respectively, are quite substantial.

**Table 5: Importance of 'Principal Supplier' Goods to the Philippines by Cut-off Level (2005)**

| Cut-Off Level | Market Potential (US$ Billion) | Share in Total Phils. Exports (%) | Share in Total Phils. Imports (%) | Difference in EX-IM Shares (%) | Intra-Bracket Difference in Export Shares (%) | Ave. Increments per 5% Bracket (%) |
|---|---|---|---|---|---|---|
| **70%** | 1,915 | 75.41 | 54.66 | 20.75 | | |
| **75%** | 1,432 | 71.05 | 49.41 | 21.64 | 4.36 | 0.87 |
| **80%** | 1,227 | 64.49 | 46.72 | 17.77 | 6.56 | 1.31 |
| **85%** | 1,001 | 62.99 | 45.35 | 17.64 | 1.50 | 0.30 |
| **90%** | 563 | 50.54 | 34.63 | 15.91 | 12.45 | 2.49 |

Source: Authors' calculations using ITC TradeMap data
Notes:
Share in Total Exports = Share of Goods in the cut-off level and above in Total Philippine Exports
Share in Total Imports = Share of Goods in the cut-off level and above in Total Philippine Imports
Difference in EX-IM Shares = Share in Total Exports - Share in Total Imports
Intra-Bracket Difference = Ex. Share in APEC Exports (70%) - Share in APEC Exports (75%)
Ave. Increments per 5% Bracket = Ex. [(Share in APEC Exports (70%) - Share in APEC Exports (75%)] ÷ 5

[4] A comparison of the 'principal supplier' goods with the products proposed for sectoral liberalization in the WTO Non-Agricultural Market Access (NAMA) in August 2008 is reported in Annex D. One notes that 65% of goods under the NAMA correspond to the items in the 'principal supplier' goods. Among the sectors with the highest incidence of correspondence are: electronics, machineries, wood, and chemicals. Annex D also reports the correspondence of the 'principal supplier' goods with the goods proposed under the 1998 APEC EVSL. In contrast to the NAMA comparsion, only 45% of the 1998 APEC EVSL 'goods' are found in the list of the 'principal supplier' goods indicating that the latter has a wider scope for liberalization than the EVSL.

For the Philippine case, however, the optimum cut-off appears to be around 75%, where the difference between export and import shares is greatest. One may note as well, that as one increases the cut-off from 75% to 80%, the portion of Philippine exports that are not covered by the sectoral agreement will fall by almost 7% that is equivalent to an average decrease of 1.31% per percentage point increase between these two aforementioned cut-off levels.

**Table 6: Importance of 'Principal Supplier' Goods to the Philippines by Sector (2005)**

| Sector | Market Potential (US$ Billion) | Share in Total Phils. Exports (%) | Share in Total Phils. Imports (%) | Difference in EX-IM Shares (%) |
|---|---|---|---|---|
| **TOTAL 'Principal Supplier' Goods** | **1,915** | **75.41** | **54.66** | **20.75** |
| **TOTAL Sectors** | **1,880** | **75.12** | **54.41** | **20.71** |
| **Sectors:** | | | | |
| **Electronics** | 770 | 48.07 | 36.72 | 11.35 |
| **Transport Equipments** | 248 | 4.55 | 1.67 | 2.88 |
| **Machineries** | 452 | 19.44 | 10.40 | 9.04 |
| **Metals and metal products** | 57 | 0.95 | 0.46 | 0.49 |
| **Wood and wood products** | 41 | 0.41 | 0.43 | -0.02 |
| **Textile and garments** | 31 | 0.64 | 0.71 | -0.07 |
| **Footwear and headgear** | 25 | 0.08 | 0.05 | 0.03 |
| **Agricultural goods and raw materials** | 71 | 0.09 | 2.28 | -2.19 |
| **Plastics and rubbers** | 87 | 0.60 | 1.11 | -0.51 |
| **Chemicals** | 40 | 0.00 | 0.44 | -0.44 |
| **Miscellaneous manufactures** | 58 | 0.29 | 0.14 | 0.15 |

Source: Authors' calculations using ITC TradeMap data

Notes:
Share in Total Exports = Share of Goods in the sector in Total Philippine Exports
Share in Total Imports = Share of Goods in the sector in Total Philippine Imports
Difference in EX-IM Shares = Share in Total Exports - Share in Total Imports

At the sectoral level, however, there are only around two major sectors – electronics and machineries, which dominate Philippine exports. Eight of the broad sectors do not even account for 1% of total Philippine exports (see Table 6).

Table 7 reports the MFN tariffs of the Philippine's APEC partners in the broad sectoral categories for which sectoral liberalization is proposed. To illustrate, the average tariffs facing Philippine exporters of electronics (or electronic products where APEC's share in the world exports is 70% or greater) in the APEC market is 4.38%. If the proposed sectoral liberalization proceeds, then this figure represents the extent of additional market access made available to the Philippines. As such, the average tariffs can be a measure of the offensive interest of an APEC member from the modality. The larger the prevailing tariffs facing the member in a particular sector, the greater the market access accorded under a sectoral liberalization program. Note, however, that the tariffs as reported in the table may be overstated because of the overlapping preferential trade agreements currently in place among many APEC members. One limitation of this study is that it does not take into account the current RTAs of APEC members in computing for the incremental market access due to sectoral liberalization.

**Table 7: Simple Average Applied MFN Tariffs of APEC Partners on Philippine Exports of 'Principal Supplier' Goods**[5]

| Products | APEC Trading Partners' Ave. MFN Tariff |
|---|---|
| **TOTAL 'Principal Supplier' Goods** | **4.38** |
| **TOTAL Sectors** | **4.29** |
| **Sectors:** | |
| **Electronics** | 1.71 |
| **Transportation Equipments** | 7.69 |
| **Machineries** | 1.40 |
| **Metals and Metal Products** | 3.41 |
| **Wood and Wood Products** | 3.08 |
| **Textile & Garments** | 17.12 |
| **Footwear & Others** | 8.19 |
| **Agriculture& Raw Materials** | 17.19 |
| **Rubbers and Plastics** | 4.66 |
| **Chemicals** | 1.34 |
| **Miscellaneous Manufactures** | 2.33 |

Source: Authors' calculations

The analysis of the impact of the proposed modality of the offensive and defensive interests of the Philippines can be refined further by considering the current capability of the country to produce the products of the sectors proposed for liberalization. The inclusion of the productive capacity as a variable is intended to give a clearer specification of the 'effective' offensive and defensive interests. The analysis is quite straightforward. First, classify the sectors according to three types: a) locally-produced (LP); b) locally-produced but not in sufficient quantity (LP-NSQ); and c) not locally-produced (NLP). The information for the classification, admittedly, is quite general in the absence of systematic and comprehensive collection of data. The information on the productive capacity on a detailed level is not part of the data set collected by the statistical authorities. Nevertheless, the information gathered from the Philippine Tariff Commission is the best available one. Second, classify the data of Philippine exports and imports of the identified sectors, according to their status in production. Thus, import and export data are mapped according to whether these are LP, LP-NSQ, or NLP.

Under this scheme, the offensive interest could be served more solidly if the Philippines actually exports the products of the sectors slated for liberalization. Furthermore, the defensive interest is not harmed if the Philippines does not produce the goods under a sector that is going to be liberalized. Under this circumstance, there is no industry to protect, anyway. On the other hand, the defensive interest is compromised if the Philippines produces the product of the liberalized sector but continues to be big importer, i.e. the product is an importable. If tariffs were to be eliminated among these products, then the Philippine industries will be affected by more intense import competition.

[5] The average tariff of the Philippines' APEC partners per sector is computed using the following equation:

$$\text{Product i's Ave. Applied MFN Tariff} = AT_i = \frac{\sum_{k=1}^{K^*} X_{ik} T_{ik}}{\sum_{k=1}^{K^*} X_{ik}}$$

$$\text{Sector s's Simple Ave. Applied MFN Tariff} = AT_s = \frac{\sum_{i=1}^{I} AT_i}{I}$$

Let: X = the value of exports in a given year
T = the applied *ad valorem* MFN tariff
j = any APEC member
k = any APEC partner; k* = any APEC partner where trade is non-zero
K = all APEC partners; K* = all APEC partners where trade is non-zero
i = any of the selected products
I = no. of commodities identified in a sector
s = any sector

**Table 8: Indicative Offensive Interest: Philippine Exports of 'Principal Supplier' Goods Classified Accdg. to Local Production**

| Products | No. of Export Lines (to APEC) | Exports to APEC | | No. of Export Lines (to World) | Exports to the World | | APEC Trading Partners' Ave. Applied MFN Tariff |
|---|---|---|---|---|---|---|---|
| | | Value (US$ Million) | Share (%) | | Value (US$ Million) | Share (%) | |
| **TOTAL 'Principal Supplier' Goods** | **217** | **20,553** | **61.50** | **224** | **31,086** | **75.41** | **4.38** |
| LP | 157 | 19,696 | 58.93 | 163 | 29,666 | 71.97 | 5.42 |
| LP/NSQ | 60 | 857 | 2.56 | 61 | 1,420 | 3.44 | 1.66 |
| NLP | - | - | - | - | - | - | - |
| **TOTAL Sectors** | **209** | **20,443** | **61.17** | **215** | **30,970** | **75.12** | **4.29** |
| LP | 149 | 19,587 | 58.60 | 154 | 29,550 | 71.69 | 5.36 |
| LP/NSQ | 60 | 855 | 2.56 | 61 | 1,419 | 3.44 | 1.66 |
| NLP | - | - | - | - | - | - | - |
| **Sectors:** | | | | | | | |
| **Electronics** | **69** | **11,438** | **34.22** | **71** | **19,816** | **48.07** | **1.71** |
| LP | 52 | 11,300 | 33.81 | 55 | 19,626 | 47.61 | 1.61 |
| LP-NSQ | 17 | 138 | 0.41 | 16 | 190 | 0.46 | 2.00 |
| NLP | - | - | - | - | - | - | - |
| **Transportation Equipments** | **13** | **1,200** | **3.59** | **14** | **1,874** | **4.55** | **7.69** |
| LP | 10 | 1,101 | 3.29 | 10 | 1,517 | 3.68 | 9.84 |
| LP-NSQ | 3 | 99 | 0.30 | 4 | 357 | 0.87 | 0.54 |
| NLP | - | - | - | - | - | - | - |
| **Machineries** | **38** | **6,746** | **20.18** | **38** | **8,015** | **19.44** | **1.40** |
| LP | 19 | 6,173 | 18.47 | 19 | 7,193 | 17.45 | 2.23 |
| LP-NSQ | 19 | 573 | 1.72 | 19 | 822 | 1.99 | 0.57 |
| NLP | - | - | - | - | - | - | - |
| **Metals and Metal Products** | **11** | **386** | **1.16** | **11** | **392** | **0.95** | **3.41** |
| LP | 8 | 381 | 1.14 | 8 | 386 | 0.94 | 3.76 |
| LP-NSQ | 3 | 5 | 0.02 | 3 | 6 | 0.01 | 2.47 |
| NLP | - | - | - | - | - | - | - |
| **Wood and Wood Products** | **9** | **142** | **0.43** | **11** | **168** | **0.41** | **3.08** |
| LP | 7 | 142 | 0.43 | 8 | 168 | 0.41 | 3.96 |
| LP-NSQ | 2 | 0 | 0.00 | 3 | 0 | 0.00 | 0.00 |
| NLP | - | - | - | - | - | - | - |
| **Textile and Garments** | **13** | **189** | **0.56** | **14** | **265** | **0.64** | **17.12** |
| LP | 12 | 188 | 0.56 | 13 | 264 | 0.64 | 17.30 |
| LP-NSQ | 1 | 0 | 0.00 | 1 | 1 | 0.00 | 14.94 |
| NLP | - | - | - | - | - | - | - |
| **Footwear and Others** | **7** | **26** | **0.08** | **7** | **33** | **0.08** | **8.19** |
| LP | 7 | 26 | 0.08 | 7 | 33 | 0.08 | 8.19 |
| LP-NSQ | - | - | - | - | - | - | - |
| NLP | - | - | - | - | - | - | - |
| **Agriculture and Raw Materials** | **8** | **38** | **0.12** | **8** | **39** | **0.09** | **17.19** |
| LP | 6 | 38 | 0.11 | 6 | 38 | 0.09 | 22.92 |
| LP-NSQ | 2 | 0 | 0.00 | 2 | 0 | 0.00 | 0.00 |
| NLP | - | - | | - | - | - | - |
| **Rubbers and Plastics** | **23** | **191** | **0.57** | **23** | **248** | **0.60** | **4.66** |
| LP | 18 | 153 | 0.46 | 18 | 208 | 0.50 | 5.07 |
| LP-NSQ | 5 | 38 | 0.11 | 5 | 40 | 0.10 | 3.19 |
| NLP | - | - | - | - | - | - | - |
| **Chemicals** | **5** | **1** | **0.00** | **5** | **1** | **0.00** | **1.34** |
| LP | 1 | 0 | 0.00 | 1 | 0 | 0.00 | 0.00 |
| LP-NSQ | 4 | 1 | 0.00 | 4 | 1 | 0.00 | 1.67 |
| NLP | - | - | - | - | - | - | - |
| **Miscellaneous Manufactures** | **13** | **86** | **0.26** | **13** | **119** | **0.29** | **2.33** |
| LP | 9 | 85 | 0.25 | 9 | 117 | 0.28 | 2.45 |
| LP-NSQ | 4 | 1 | 0.00 | 4 | 2 | 0.01 | 2.04 |
| NLP | - | - | - | - | - | - | |

Source: Authors' calculations using ITC TradeMap. Latest applied *ad valorem* MFN tariffs from the WTO-IDB: Australia (2006); Brunei (2005); Canada (2006); Chile (2006); China (2005); Hong Kong (2006); Indonesia (2004); Japan (2006); Malaysia (2005); Mexico (2004); New Zealand (2005); Papua New Guinea (2004); Peru (2004); Russia (2001); Singapore (2005); S.Korea (2006); Chinese Taipei (2006); Thailand (2006); US (2005); and Vietnam (2005)
Source of basic data on the status of local production: Philippine Tariff Commission. Authors converted entries of NLP to LP-NSQ when actual exports are recorded
Notes: LP = Locally-produced; LP-NSQ = Locally-produced but not in sufficient quantity; NLP = Not locally-produced

**Table 9: Indicative Defensive Interest: Philippine Imports of 'Principal Supplier' Goods Classified Accdg. to Local Production**

| Products | No. of Import Lines (from APEC) | Imports from APEC | | No. of Import Lines (from APEC) | Imports from the World | | Simple Ave. Applied MFN Tariff (2007) |
|---|---|---|---|---|---|---|---|
| | | Value (US$ Million) | Share (%) | | Value (US$ Million) | Share (%) | |
| **TOTAL 'Principal Supplier' Goods** | **266** | **23,661** | **59.16** | **270** | **25,664** | **54.66** | **6.21** |
| LP | 178 | 21,604 | 54.02 | 182 | 23,218 | 49.45 | 7.69 |
| LP-NSQ | 66 | 1,551 | 3.88 | 66 | 1,886 | 4.02 | 3.38 |
| NLP | 22 | 506 | 1.26 | 22 | 560 | 1.19 | 2.39 |
| **TOTAL Sectors** | **257** | **23,515** | **58.80** | **262** | **25,552** | **54.41** | **6.11** |
| LP | 170 | 21,459 | 53.65 | 174 | 23,105 | 49.21 | 7.61 |
| LP/NSQ | 65 | 1,552 | 3.88 | 66 | 1,886 | 4.00 | 3.36 |
| NLP | 22 | 504 | 1.26 | 22 | 560 | 1.20 | 2.39 |
| **Sectors:** | | | | | | | |
| **Electronics** | **73** | **15,896** | **39.75** | **77** | **17,243** | **36.72** | **3.51** |
| LP | 53 | 15,461 | 38.66 | 57 | 16,670 | 35.50 | 3.42 |
| LP-NSQ | 18 | 432 | 1.08 | 18 | 569 | 1.21 | 3.96 |
| NLP | 2 | 3 | 0.01 | 2 | 3 | 0.01 | 2.00 |
| **Transportation Equipments** | **21** | **666** | **1.66** | **21** | **782** | **1.67** | **15.23** |
| LP | 15 | 573 | 1.43 | 15 | 607 | 1.29 | 17.72 |
| LP-NSQ | 4 | 93 | 0.23 | 4 | 175 | 0.37 | 10.25 |
| NLP | 2 | 0 | 0.00 | 2 | 0 | 0.00 | 6.50 |
| **Machineries** | **47** | **4,681** | **11.71** | **47** | **4,884** | **10.40** | **2.19** |
| LP | 22 | 3,869 | 9.67 | 22 | 3,973 | 8.46 | 3.08 |
| LP-NSQ | 19 | 791 | 1.98 | 19 | 889 | 1.89 | 1.27 |
| NLP | 6 | 21 | 0.05 | 6 | 22 | 0.05 | 1.83 |
| **Metals and Metal Products** | **19** | **201** | **0.50** | **19** | **216** | **0.46** | **4.25** |
| LP | 12 | 183 | 0.46 | 12 | 195 | 0.42 | 4.50 |
| LP-NSQ | 4 | 1 | 0.00 | 4 | 1 | 0.00 | 3.75 |
| NLP | 3 | 17 | 0.04 | 3 | 20 | 0.04 | 3.89 |
| **Wood and Wood Products** | **12** | **192** | **0.48** | **12** | **203** | **0.43** | **7.95** |
| LP | 9 | 160 | 0.40 | 9 | 170 | 0.36 | 9.22 |
| LP-NSQ | 3 | 32 | 0.08 | 3 | 34 | 0.07 | 4.14 |
| NLP | - | - | - | - | - | - | - |
| **Textile and Garments** | **14** | **111** | **0.28** | **14** | **334** | **0.71** | **9.41** |
| LP | 13 | 84 | 0.21 | 13 | 304 | 0.65 | 9.60 |
| LP-NSQ | 1 | 27 | 0.07 | 1 | 30 | 0.06 | 7.00 |
| NLP | - | - | - | - | - | - | - |
| **Footwear and Others** | **7** | **22** | **0.06** | **7** | **23** | **0.05** | **15.00** |
| LP | 7 | 22 | 0.06 | 7 | 23 | 0.05 | 15.00 |
| LP-NSQ | - | - | - | - | - | - | - |
| NLP | - | - | - | - | - | - | - |
| **Agriculture and Raw Materials** | **14** | **1,017** | **2.54** | **14** | **1,072** | **2.28** | **10.76** |
| LP | 10 | 630 | 1.57 | 10 | 657 | 1.40 | 13.77 |
| LP-NSQ | 2 | 36 | 0.09 | 2 | 38 | 0.08 | 3.00 |
| NLP | 2 | 351 | 0.88 | 2 | 377 | 0.80 | 3.50 |
| **Rubbers and Plastics** | **25** | **493** | **1.23** | **25** | **522** | **1.11** | **8.14** |
| LP | 18 | 415 | 1.04 | 18 | 436 | 0.93 | 10.41 |
| LP-NSQ | 6 | 68 | 0.17 | 6 | 73 | 0.16 | 2.67 |
| NLP | 1 | 9 | 0.02 | 1 | 13 | 0.03 | 0.00 |
| **Chemicals** | **11** | **177** | **0.44** | **12** | **207** | **0.44** | **1.42** |
| LP | 1 | 13 | 0.03 | 1 | 16 | 0.03 | 3.00 |
| LP-NSQ | 4 | 62 | 0.16 | 5 | 66 | 0.14 | 1.60 |
| NLP | 6 | 103 | 0.26 | 6 | 125 | 0.27 | 1.00 |
| **Miscellaneous Manufactures** | **14** | **59** | **0.15** | **14** | **66** | **0.14** | **8.80** |
| LP | 10 | 49 | 0.12 | 10 | 54 | 0.12 | 10.13 |
| LP-NSQ | 4 | 10 | 0.02 | 4 | 11 | 0.02 | 5.50 |
| NLP | - | - | - | - | - | - | - |

Source: Authors' calculations using ITC TradeMap. Latest applied a*d valorem* MFN tariffs from the WTO-IDB for the Philippines (2007)
Source of basic data on the status of local production: Philippine Tariff Commission
Notes: LP = Locally-produced; LP-NSQ = Locally-produced but not in sufficient quantity; NLP = Not locally-produced

One may note that the prevailing MFN tariffs facing the bulk of Philippine exports in the selected candidate sectors for liberalization have low MFN tariffs. Electronics and machineries have MFN tariffs of only 1.71% and 1.40% respectively, indicating that the degree of offensive interest of the Philippines, in terms of incremental market access may be limited. The degree of offensive interest in footwear, textile, rubber, and transportation equipment is rather considerable, in view of the magnitude of tariffs that will be cut by the rest of the APEC members. However, the volume of Philippine exports in the aforementioned sectors, save transportation equipment, is not very substantial (Table 8). Perhaps the reason for the low volume of exports of the Philippines in footwear, textile, etc. to other APEC economies is due to high tariffs. Thus, the existing profile of tariffs facing Philippine exports also influences the current distribution and volume of exports among the sectors.

Table 9 indicates that of the total imports from APEC, of the selected sectors, more than 90% are in tariff lines where the Philippines have local production. The bulk of the imports from APEC among the selected sectors where there is local production in the Philippines is accounted for by electronics and machineries. Does this feature imply that the Philippine's defensive position in these two major industries are compromised by a sectoral liberalization type modality?

For electronics imports of the Philippines, close to 98% of the imported items are goods that the Philippines also produce. The same holds true for machineries where 82% of the imported items are goods which are locally produced. On the surface, the fact that the bulk of electronic imports are in the sectors that the Philippines produce indicates that the defensive interest is being eroded. However, given the nature of the electronics and machineries sector – global supply chain driven, intra-industrial trade rather than inter-industrial, extensive differentiation, etc. – it may not be very surprising that imports are high. A good portion of imported items are actually inputs to exportables. Therefore, the defensive interests of the Philippines in electronics and machineries would not necessarily be compromised. The same argument could be said of the automotive subsector where the trade in parts and components among APEC economies are fairly substantial.

For the rest of the sectors, particularly the footwear, rubber, metals, wood products, etc. the dominant share of imported items where there is local production indicates erosion of the defensive interest. Incidentally, these are the sectors where Philippine tariffs are highest. For agriculture and raw material imports, although the share of imports where there is local production is high, the share of imported items which are not locally-produced is not insignificant. Therefore, the defensive interest is not too weakened. In chemicals, on the other hand, most of the imported items are in categories which are not locally-produced. The implication is that there is virtually no defensive interest in this sector and such sectoral liberalization will not be problematic in a narrow perspective.

By and large, this analysis reveals that there are indeed defensive interests of the Philippines among the sectors proposed for sectoral liberalization, following the dominant supplier criteria. Overall, the share of import items (in value) proposed for liberalization where the Philippines have local production among the tariff line is 90%. However because the bulk of these imports are in electronics and machineries, sectors which are marked by differentiation and intra-industry trade, the defensive interests is not too compromised.

The following tables provide an additional indicator for assessing the defensive interest. More specifically, the defensive interest of the Philippines can partially be gauged from the current levels of tariffs it imposes on the candidate sectors for sectoral liberalization, with emphasis on tariff peaks. Table 11 reports the tariff profile of the Philippines on the sectors of interest. In many instances, the average tariff levels of the Philippines on the selected products are higher than the corresponding average tariffs of its APEC trade partners. As expected, the MFN tariffs on electronics and machineries are quite low indicating that the defensive interest is rather weak. Interestingly the average tariff of the selected chemical sectors is quite low. On the whole, the average tariffs of the selected products for the Philippines is slightly higher than the simple average for the whole range of products in the Philippines indicating that there could be sensitivities among the selected products. Actually, 20% of the tariff lines in the selected products have tariff peaks, defined as tariffs beyond

15%, in the Philippines (See Table 11). Tariff peaks abound in the footwear, transport equipment, textile/garments and miscellaneous sectors.

**Table 10: Simple Average of Applied MFN Tariffs of APEC Members (2007)**

| Products | Simple Ave. of Applied MFN Tariffs of APEC Members |
|---|---|
| Ave. Tariff | 6.92 |
| Ave. Tariff (Agriculture) | 13.35 |
| Ave. Tariff (Industrial) | 6.11 |
| Sector: | |
| Animal Products | 11.99 |
| Dairy Products | 31.86 |
| Fruit, vegetables, plants | 12.81 |
| Coffee, tea | 13.98 |
| Cereals & preparations | 20.51 |
| Oilseeds, fats & oils | 8.39 |
| Sugars and confectionery | 15.32 |
| Beverages & tobacco | 32.21 |
| Cotton | 3.27 |
| Other agricultural products | 5.19 |
| Fish & fish products | 9.10 |
| Minerals & metals | 4.81 |
| Petroleum | 3.66 |
| Chemicals | 3.76 |
| Wood, paper, etc. | 5.80 |
| Textiles | 8.48 |
| Clothing | 16.01 |
| Leather, footwear, etc. | 8.37 |
| Non-electrical machinery | 3.80 |
| Electrical machinery | 5.54 |
| Transport equipment | 8.24 |
| Manufactures, n.e.s. | 5.84 |

Source: WTO Tariff Profile 2006

**Table 11: Summary Profile of Applied MFN Tariffs for the 'Principal Supplier' Goods in the Philippines (2007)**

| Sector | No. of Import Lines | MFN Applied Rate | | | Percentage of Duties | | |
|---|---|---|---|---|---|---|---|
| | | Simple Ave. | Min. | Max. | Duty Free | 0%< x <15% | x ≥ 15% |
| **TOTAL 'Principal Supplier' Goods** | **270** | **6.21** | **0.00** | **40.00** | **18.52** | **61.11** | **20.37** |
| **TOTAL Sectors** | **262** | **6.11** | **0.00** | **40.00** | **19.08** | **61.60** | **19.47** |
| **Sectors:** | | | | | | | |
| Electronics | 77 | 3.51 | 0.00 | 18.33 | 36.36 | 54.55 | 10.39 |
| Transport equipments | 21 | 15.23 | 1.00 | 30.00 | 0.00 | 57.14 | 42.86 |
| Machineries | 47 | 2.19 | 0.00 | 15.00 | 36.17 | 61.70 | 21.28 |
| Metal and metal products | 19 | 4.25 | 1.00 | 15.00 | 0.00 | 94.74 | 5.26 |
| Wood and wood products | 12 | 7.95 | 0.00 | 15.00 | 8.33 | 58.33 | 33.33 |
| Textile and garments | 14 | 9.41 | 1.00 | 15.00 | 0.00 | 64.29 | 35.71 |
| Footwear and headgear | 7 | 15.00 | 15.00 | 15.00 | 0.00 | 0.00 | 100.00 |
| Agricultural goods and raw materials | 14 | 10.76 | 1.00 | 40.00 | 0.00 | 64.29 | 35.71 |
| Plastics and rubbers | 25 | 8.14 | 0.00 | 15.00 | 4.00 | 68.00 | 28.00 |
| Chemicals | 12 | 1.42 | 0.00 | 3.00 | 25.00 | 75.00 | 0.00 |
| Miscellaneous manufactures | 14 | 8.80 | 1.00 | 15.00 | 0.00 | 64.29 | 35.71 |

Source: Authors' calculations using WTO IDB data

The discussions in the previous sections raised issues on using indicators to assess the offensive and defensive interests of the Philippines given the sectors slated for liberalization. As expected, the Philippines has different degrees of offensive and defensive interests within and across the sectors. Because the sectors are quite broadly defined, it is not uncommon within one sector can be found subsectors where there are export potentials and others where import-competing firms predominate. The practice of intra-industry trade and outsourcing likewise can account for the profile of differing interests among the list of sectors.

Of interest however, is the overall assessment of the proposed modality given current Philippine trade structure. This could be important because the liberalization that is proposed is essentially a package. In fact, the analytical base precludes the practice of picking sectors for the liberalization on mercantilist grounds. One method to generate an overall desirability of the sectoral liberalization on members is the Computable General Equilibrium (CGE) model. An alternative method is to classify the intensity of interest into levels (Categories A, B or C) consistent with a set of criteria that defines the level. Of course, this method suffers from being static, short term, and *ad hoc* in formulation. On the other hand, it is quite flexible (the policymaker can devise their own criteria to suit their priorities) and could easily be understood by the stakeholders. Thus, the overall assessment of the list of sectors is always dependent on the set of criteria, i.e. subjective.

**Box 1: Criteria for Indicative Offensive and Defensive Interests**

**Offensive**
Category A:
1. Share in total world exports is 5% and above AND at least US$500 Million in export value; AND
2. Partners' Ave. Applied MFN Tariff is 10% and above
Category B:
1. Share in total world exports is 5% and above OR at least US$500 Million in export value; AND
2. Partners' Ave. Applied MFN Tariff is between 9.99% and 3%
Category C:
1. Partners' Ave. Applied MFN Tariff is 3% and below

**Defensive**
Category A:
1. No tariff peaks
2. Simple Ave. Applied MFN tariff < 3%
Category B:
1. Tariff peak in 20% of tariff lines
2. Simple Ave. Applied MFN tariff of 'Principal Supplier' Goods < Simple Ave. Applied MFN tariffs of APEC Members
Category C:
1. Tariff peak in 20% of tariff lines; AND
2. Simple Ave. Applied MFN tariff of 'Principal Supplier' Goods > Simple Ave. Applied MFN tariffs of APEC Members

For purpose of evaluating the extent to which the offensive and defensive interests of the Philippines will be served by the sectoral liberalization proposal, a set of criteria is proposed. Among the variables to be considered are relative share of the sector to total APEC exports, the absolute export figure and the average applied MFN tariffs of its APEC partners. To have a significant offensive interest, the sector to be slated for liberalization should be a sizeable exportable of the Philippines already. By specifying a minimum export value hurdle, the criterion ensures that the Philippines has the capacity to exploit the market access improvement brought about by the sectoral liberalization. The current average MFN tariff levied by APEC partners on the sectors programmed for liberalization is a strong measure of the incremental market access potential. The higher the average tariffs currently, obviously, the greater market access created as a result of sector liberalization. The tariff computed is the average of the MFN tariffs levied by APEC partners on the sectors. In order to determine the impact of the sectoral liberalization, the APEC partners' tariffs should be weighed by the shares of the APEC members' imports in the total APEC exports of the Philippines in these sectors.

One limitation of this indicator is that it does not take into account the existing RTAs that the Philippine has concluded with APEC members, indicating a possible overstatement of the offensive interest. As outlined in Box 1, the intensity of the offensive interest is governed not only by the magnitude of the potential export capability, nor only by the current average levels of tariffs on Philippine exports by its APEC partners, but also by the combination of variables. Thus, the offensive interest is deemed stronger if the variables identified in the criteria appear simultaneously,

On the other hand, indicators for the defensive interest include the presence of tariff peaks in at least 20% of the tariff lines under the identified sector. The tariff peak can be regarded as indicative of the sensitivity of the sector, particularly to international competition. In addition, one may also compare the average MFN tariff of the Philippines for the 'principal supplier' goods with the average MFN tariff of the APEC member economies for the sectors proposed for sectoral liberalization. If the APEC average MFN tariff of the sector in question exceeds that of the national average, then one can infer that the defensive interest in that sector is relatively pronounced. As the box shows, the intensity of the defensive interest is a function of the prevalence of tariff peaks and relative magnitudes of the MFN tariffs of the sector in the region against the national average. Under this scheme, defensive interest is considered strong when the criteria of the incidence of tariff peaks and the magnitude of average sectoral tariffs are simultaneously met. The position is said to be moderate or weak when the either one of the criteria are met, but not simultaneously.

Again, the criteria outlined in the box can be changed depending on the preference of the policymakers. Consequently, the definitions of strong, moderate or weak interest could vary depending on the criteria set. While this feature may render the process quite *ad hoc*, it nevertheless makes it quite flexible for purpose of policy research.

**Table 12: Indicative Offensive and Defensive Positions of the Philippines***

| Sector | Offensive Interest | Defensive Interest |
|---|---|---|
| **TOTAL 'Principal Supplier' Goods** | **B** | **B** |
| **TOTAL Sectors** | **B** | **B** |
| **Sectors:** | | |
| **Electronics** | B | B |
| **Transport equipments** | C | C |
| **Machineries** | C | B |
| **Metal and metal products** | C | C |
| **Wood and wood products** | C | C |
| **Textile and garments** | C | B |
| **Footwear and headgear** | C | C |
| **Agricultural goods and raw materials** | C | B |
| **Plastics and rubbers** | C | C |
| **Chemicals** | C | A |
| **Miscellaneous manufactures** | C | C |

*Conditional to the criteria in Box 1.

## V. Final Remarks

APEC, it is said, has been on the crossroads for a number of years already. After the initial enthusiasm of Bogor waned in the wake of the Asian financial crisis, APEC tried to revive the trade liberalization agenda. The current initiative, the FTAAP, has not been met by an overwhelming show of support by all members. While ambitious, a multitude of political sensitivities and the general RTA 'fatigue' factor prevent the FTAAP from advancing forward strongly. Yet, it is still one of the most concrete ideas on offer at the moment in the pillar of trade liberalization.

This paper puts forward an alternative to the FTAAP. The alternative is sectoral liberalization on an MFN basis, founded on the analytical basis of 'principal supplier' approach and a variant of the non-preferential trading club. In a departure from the ill-fated EVSL, the proposed initiative chooses the sectors to be liberalized on the basis of minimizing free riding of non-APEC members. Candidates for sectoral liberalization are those sectors where APEC economies supply a significant portion of world exports. Using a cut-off rate of 70%, over 282 products are identified for sectoral liberalization. These products, in total, constitute close to half of all APEC exports and around 40% of APEC imports.

Of course, while the APEC, as a collective, stands to benefit from the proposed sectoral liberalization, its impact on the individual member differs from one economy to another. The case study on the Philippines showed that sectoral liberalization, whilst serving its offensive interests, have a negative impact on the defensive interests in some sectoral categories. The sectors identified account for around 75% of total Philippine exports (primarily because electronics is part of the list). While initial observation would indicate a very strong offensive interest, an examination of the current tariff facing the Philippines in electronics would reveal very low tariffs. On the other hand, the sectors include footwear, garments and other items where the Philippines may have sensitivities. In addition, the analysis of the offensive and defensive interests is augmented by considerations of whether the tradeable commodities specified in the identified sectors are indeed produced in the Philippines. Clearly because of the trade-offs, a balancing of the political economy of sectoral liberalization has to be struck. This paper provides a system of assessing the offensive and defensive interest of members in light of the liberalization methodology proposed, as an aid for decision-making.

Given a set of criteria that includes export shares, incidence of tariff peaks, etc., the Philippines has moderate offensive and defensive interests in the sectors identified for liberalization. Of course, this analysis did not take into consideration the increase in consumer welfare that liberalization makes possible.

Admittedly, the proposed sectoral initiative has a more modest claim to liberalization outcomes compared to the FTAAP. However, the outcomes may be more politically acceptable to members because of the manner in which the free rider problem is skirted. Thus, there could be greater scope for APEC members to harmonize their liberalization efforts by targetting the selected sectors. In addition, because of its MFN characteristic, it is more in keeping with the WTO principle, and could, in fact, be a catalyst in pushing forward the DDA. This is open regionalism.

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## Annex A: Products for which APEC Provide the Principal Supply of World Exports (2005)

| Rank | HS Code | Description | Exports (US$ Billion) | | | Share (In Percentage) | | |
|---|---|---|---|---|---|---|---|---|
| | | | APEC | World | World Less Intra-EU Trade | To World | To World Less Intra-EU Trade | Difference |
| 51 | 901049 | Apparatus for drawing semiconductor circuits nes | 1,675 | 1,805 | 1,794 | 92.80 | 93.36 | 0.56 |
| 52 | 853400 | Printed circuits | 25,963 | 30,150 | 27,846 | 86.11 | 93.24 | 7.13 |
| 53 | 400121 | Natural rubber in smoked sheets | 1,860 | 2,004 | 2,001 | 92.84 | 92.94 | 0.10 |
| 54 | 847170 | Computer data storage units | 41,091 | 56,180 | 44,219 | 73.14 | 92.93 | 19.79 |
| 55 | 640299 | Footwear, outer soles/uppers of rubber or plastics, nes | 6,882 | 8,796 | 7,411 | 78.24 | 92.86 | 14.62 |
| 56 | 950510 | Articles for Christmas festivities | 1,849 | 2,327 | 1,993 | 79.47 | 92.78 | 13.31 |
| 57 | 854190 | Parts of mounted piezo-electric crystals and semiconductor devices | 3,406 | 3,787 | 3,674 | 89.95 | 92.72 | 2.77 |
| 58 | 851829 | Loudspeakers, nes | 2,593 | 3,218 | 2,798 | 80.58 | 92.67 | 12.09 |
| 59 | 852090 | Magnetic tape recorders and other sound recording apparatus, nes | 1,878 | 3,346 | 2,027 | 56.12 | 92.61 | 36.49 |
| 60 | 400122 | Technically specified natural rubber (TSNR) | 3,963 | 4,321 | 4,284 | 91.72 | 92.51 | 0.79 |
| 61 | 900912 | Electrostatic photo-copying apparatus, indirect process type | 3,331 | 5,614 | 3,604 | 59.33 | 92.42 | 33.09 |
| 62 | 903141 | Optical instruments for checking semiconductor wafers | 1,569 | 1,722 | 1,698 | 91.09 | 92.38 | 1.29 |
| 63 | 860900 | Cargo containers designd to be carrid by one o more modes of transport | 6,333 | 7,289 | 6,859 | 86.87 | 92.33 | 5.46 |
| 64 | 291736 | Terephthalic acid and its salts | 5,902 | 7,480 | 6,396 | 78.90 | 92.28 | 13.38 |
| 65 | 871200 | Bicycles and other cycles (including delivery tricycles),not motorised | 3,211 | 4,857 | 3,480 | 66.11 | 92.27 | 26.16 |
| 66 | 640411 | Sports footwear w outer soles of rubber o plastics&uppers of tex mat | 1,687 | 2,851 | 1,828 | 59.16 | 92.25 | 33.09 |
| 67 | 847160 | Computer input/outputs, with/without storage | 54,827 | 73,517 | 59,457 | 74.58 | 92.21 | 17.63 |
| 68 | 950691 | Gymnasium or athletics articles and equipment | 2,934 | 3,898 | 3,184 | 75.28 | 92.17 | 16.89 |
| 69 | 800110 | Tin not alloyed unwrought | 2,242 | 2,543 | 2,437 | 88.17 | 92.01 | 3.84 |
| 70 | 852313 | Unrecorded magnetic tapes, of a width exceeding 6.5 mm | 1,989 | 2,945 | 2,162 | 67.54 | 91.99 | 24.45 |
| 71 | 841510 | Air conditioning machines window or wall types, self-contained | 6,075 | 7,245 | 6,608 | 83.86 | 91.93 | 8.07 |
| 72 | 851721 | Facsimiles machines | 1,685 | 2,350 | 1,835 | 71.70 | 91.83 | 20.13 |
| 73 | 290321 | Vinyl chloride (chloroethylene) | 1,602 | 1,916 | 1,748 | 83.61 | 91.65 | 8.04 |
| 74 | 854091 | Parts of cathode-ray tubes | 1,528 | 1,834 | 1,668 | 83.29 | 91.58 | 8.29 |
| 75 | 852830 | Video projectors | 4,268 | 5,771 | 4,663 | 73.95 | 91.53 | 17.58 |
| 76 | 721030 | Flat rolled i/nas, electrolytically zinc coated >600mm | 2,350 | 4,041 | 2,570 | 58.16 | 91.46 | 33.30 |
| 77 | 900190 | Prisms,mirrors andother optical elements of any material,unmounted,nes | 4,669 | 5,337 | 5,108 | 87.48 | 91.41 | 3.93 |
| 78 | 854140 | Photosensitive semiconduct device,photovoltaic cells&light emit diodes | 12,001 | 15,736 | 13,139 | 76.26 | 91.33 | 15.07 |
| 79 | 400129 | Natural rubber in other forms nes | 1,820 | 2,034 | 1,992 | 89.47 | 91.33 | 1.86 |
| 80 | 600292 | Knitted or crocheted fabrics, of cotton, nes | 4,676 | 5,360 | 5,121 | 87.23 | 91.30 | 4.07 |
| 81 | 903082 | Instruments for checking semiconductor wafers | 2,573 | 2,899 | 2,829 | 88.76 | 90.96 | 2.20 |
| 82 | 441213 | Plywood, outer ply of tropical hardwood, ply <6mm | 1,635 | 2,152 | 1,798 | 75.98 | 90.94 | 14.96 |
| 83 | 470321 | Chemical wood pulp,soda or sulphate,coniferous,semi-bl or bleached,nes | 6,538 | 9,616 | 7,209 | 68.00 | 90.69 | 22.69 |
| 84 | 440320 | Logs, poles, coniferous nes | 3,892 | 5,515 | 4,294 | 70.56 | 90.63 | 20.07 |
| 85 | 847180 | Units of automatic data processing equipment nes | 18,093 | 27,349 | 20,009 | 66.16 | 90.42 | 24.26 |
| 86 | 851711 | Line telephone sets with cordless handsets | 4,010 | 5,369 | 4,443 | 74.69 | 90.27 | 15.58 |
| 87 | 854110 | Diodes, other than photosensitive or light emitting diodes | 5,496 | 6,808 | 6,094 | 80.73 | 90.19 | 9.46 |
| 88 | 852821 | Color video monitors | 3,732 | 5,470 | 4,140 | 68.23 | 90.16 | 21.93 |
| 89 | 854129 | Transistors, other than photosensitive transistors, nes | 11,432 | 13,614 | 12,688 | 83.97 | 90.10 | 6.13 |
| 90 | 540752 | Woven fabrics,>/=85% of textured polyester filaments, dyed, nes | 3,930 | 4,696 | 4,366 | 83.69 | 90.02 | 6.33 |
| 91 | 510111 | Greasy shorn wool, not carded or combed | 1,551 | 1,853 | 1,724 | 83.70 | 89.96 | 6.26 |
| 92 | 390740 | Polycarbonates | 5,249 | 6,748 | 5,840 | 77.79 | 89.89 | 12.10 |
| 93 | 847330 | Parts&accessories of automatic data processg machines&units thereof | 139,201 | 184,665 | 154,876 | 75.38 | 89.88 | 14.50 |
| 94 | 840790 | Engines, spark-ignition type nes | 1,701 | 2,123 | 1,895 | 80.14 | 89.79 | 9.65 |
| 95 | 900990 | Parts and accessories for photo-copying apparatus | 4,673 | 7,383 | 5,209 | 63.29 | 89.71 | 26.42 |
| 96 | 940179 | Seats with metal frames, nes, other than those of heading No 94.02 | 1,572 | 2,262 | 1,757 | 69.49 | 89.45 | 19.96 |
| 97 | 852990 | Parts suitable f use solely/princ w the app of headings 85.25 to 85.28 | 65,018 | 80,750 | 72,684 | 80.52 | 89.45 | 8.93 |
| 98 | 854213 | Metal oxide semiconductors | 132,426 | 167,716 | 148,166 | 78.96 | 89.38 | 10.42 |
| 99 | 850450 | Inductors, electric | 3,706 | 4,854 | 4,153 | 76.35 | 89.24 | 12.89 |
| 100 | 851840 | Audio-frequency electric amplifiers | 1,534 | 2,058 | 1,720 | 74.52 | 89.17 | 14.65 |
| 101 | 550320 | Staple fibres of polyesters, not carded or combed | 2,386 | 3,002 | 2,677 | 79.45 | 89.10 | 9.65 |
| 102 | 903089 | Instruments&apparatus for measurg or checkg electrical quantities nes | 2,210 | 2,736 | 2,486 | 80.79 | 88.91 | 8.12 |

| Rank | HS Code | Description | Exports (US$ Billion) | | | Share (In Percentage) | | |
|---|---|---|---|---|---|---|---|---|
| | | | APEC | World | World Less Intra-EU Trade | To World | To World Less Intra-EU Trade | Difference |
| 103 | 151110 | Palm oil, crude | 2,295 | 2,644 | 2,586 | 86.82 | 88.77 | 1.95 |
| 104 | 292610 | Acrylonitrile | 1,708 | 2,405 | 1,927 | 71.03 | 88.66 | 17.63 |
| 105 | 620293 | Womens/girls anoraks andsimilar article of man-made fibres,not knitted | 2,116 | 3,142 | 2,387 | 67.36 | 88.64 | 21.28 |
| 106 | 540761 | Woven fabric >85% non-textured polyester filaments | 2,587 | 3,267 | 2,919 | 79.16 | 88.62 | 9.46 |
| 107 | 850910 | Domestic vacuum cleaners | 3,220 | 4,599 | 3,636 | 70.01 | 88.55 | 18.54 |
| 108 | 851719 | Telephone sets, nes | 3,082 | 4,578 | 3,493 | 67.33 | 88.22 | 20.89 |
| 109 | 620193 | Mens/boys anoraks and similar articles,of man-made fibres,not knitted | 2,569 | 3,720 | 2,913 | 69.06 | 88.20 | 19.14 |
| 110 | 871419 | Motorcycle parts nes | 2,949 | 4,538 | 3,346 | 64.99 | 88.14 | 23.15 |
| 111 | 854430 | Ignition wirg sets&oth wirg sets usd in vehicles,aircraft etc | 9,990 | 18,101 | 11,352 | 55.19 | 88.00 | 32.81 |
| 112 | 940490 | Articles of bedding/furnishing, nes, stuffed or internally fitted | 3,075 | 4,619 | 3,498 | 66.58 | 87.92 | 21.34 |
| 113 | 854160 | Mounted piezo-electric crystals | 3,162 | 3,961 | 3,598 | 79.82 | 87.86 | 8.04 |
| 114 | 290243 | P-xylene | 5,457 | 6,636 | 6,212 | 82.24 | 87.84 | 5.60 |
| 115 | 871150 | Motorcycles with reciprocatg piston engine displacg more than 800 cc | 3,068 | 4,844 | 3,497 | 63.34 | 87.74 | 24.40 |
| 116 | 392099 | Film and sheet etc, non-cellular etc, of plastics nes | 1,971 | 2,774 | 2,250 | 71.06 | 87.59 | 16.53 |
| 117 | 600293 | Knitted or crocheted fabrics, of manmade fibres, nes | 2,507 | 3,406 | 2,866 | 73.62 | 87.49 | 13.87 |
| 118 | 850140 | AC motors, single-phase, nes | 2,575 | 3,809 | 2,945 | 67.61 | 87.44 | 19.83 |
| 119 | 480100 | Newsprint, in rolls or sheets | 6,123 | 9,444 | 7,024 | 64.83 | 87.17 | 22.34 |
| 120 | 260300 | Copper ores and concentrates | 14,594 | 17,087 | 16,797 | 85.41 | 86.89 | 1.48 |
| 121 | 871499 | Bicycle parts nes | 1,879 | 2,766 | 2,165 | 67.94 | 86.81 | 18.87 |
| 122 | 370790 | Chemical preps f photographic uses,put up in measurd portions,nes | 3,460 | 5,806 | 3,998 | 59.60 | 86.54 | 26.94 |
| 123 | 901910 | Mechano-therapy appl;massage app;psychologicl aptitude-testg apparatus | 1,626 | 2,274 | 1,883 | 71.52 | 86.36 | 14.84 |
| 124 | 854389 | Electrical machines and apparatus nes | 12,502 | 16,922 | 14,480 | 73.88 | 86.34 | 12.46 |
| 125 | 731816 | Nuts, iron or steel, nes | 1,683 | 2,676 | 1,953 | 62.88 | 86.18 | 23.30 |
| 126 | 441011 | Waferboard, including oriented strand board of wood | 1,666 | 2,176 | 1,933 | 76.55 | 86.17 | 9.62 |
| 127 | 420292 | Containers,with outer surface of sheeting of plas or tex materials,nes | 2,898 | 4,468 | 3,366 | 64.86 | 86.09 | 21.23 |
| 128 | 640419 | Footwear o/t sports,w outer soles of rubber/plastics&uppers of tex mat | 2,109 | 3,340 | 2,464 | 63.16 | 85.61 | 22.45 |
| 129 | 590320 | Textile fabrics impregnated,ctd,cov,or laminated with polyurethane,nes | 2,198 | 3,478 | 2,571 | 63.19 | 85.49 | 22.30 |
| 130 | 850610 | Manganese dioxide primary cells and batteries | 1,919 | 3,578 | 2,248 | 53.65 | 85.37 | 31.72 |
| 131 | 851822 | Multiple loudspeakers, mounted in the same enclosure | 1,841 | 2,734 | 2,157 | 67.33 | 85.32 | 17.99 |
| 132 | 854890 | Electrical parts of mach | 3,164 | 4,890 | 3,712 | 64.70 | 85.22 | 20.52 |
| 133 | 903090 | Parts andaccess for inst andapp for meas or checkg electrical quantities | 3,019 | 3,953 | 3,560 | 76.38 | 84.81 | 8.43 |
| 134 | 841590 | Parts of air conditioning machines | 4,674 | 7,715 | 5,519 | 60.58 | 84.69 | 24.11 |
| 135 | 290250 | Styrene | 5,789 | 8,782 | 6,841 | 65.92 | 84.63 | 18.71 |
| 136 | 410121 | Bovine hides, whole, fresh or wet-salted | 1,682 | 2,889 | 1,990 | 58.23 | 84.53 | 26.30 |
| 137 | 852812 | Colour television receivers | 27,321 | 45,768 | 32,358 | 59.69 | 84.43 | 24.74 |
| 138 | 420222 | Handbags w outer surface of sheetg of plastics o of textile materials | 3,067 | 4,347 | 3,644 | 70.55 | 84.18 | 13.63 |
| 139 | 847141 | Non-portable digital edp machines w processor andi/o | 5,772 | 9,944 | 6,870 | 58.05 | 84.02 | 25.97 |
| 140 | 270112 | Bituminous coal, whether or not pulverised but not agglomerated | 33,199 | 41,018 | 39,526 | 80.94 | 83.99 | 3.05 |
| 141 | 650590 | Hats&other headgear,knitted or made up from lace,or other textile mat | 1,791 | 2,581 | 2,133 | 69.37 | 83.96 | 14.59 |
| 142 | 270111 | Anthracite, whether or not pulverised but not agglomerated | 1,637 | 2,198 | 1,957 | 74.48 | 83.64 | 9.16 |
| 143 | 160232 | Fowl (gallus domesticus) meat, prepared/preserved | 1,551 | 2,914 | 1,857 | 53.25 | 83.55 | 30.30 |
| 144 | 854451 | Electr conductors,for a voltage >80V but < V connectrs w fittd> | 4,233 | 6,449 | 5,067 | 65.63 | 83.53 | 17.90 |
| 145 | 847350 | Parts and accessories for more than one office machine | 2,220 | 2,908 | 2,663 | 76.36 | 83.36 | 7.00 |
| 146 | 870829 | Parts and accessories of bodies nes for motor vehicles | 22,065 | 41,989 | 26,488 | 52.55 | 83.30 | 30.75 |
| 147 | 611090 | Pullovers,cardigans&similar articles of oth textile materials,knittd | 1,887 | 2,596 | 2,266 | 72.67 | 83.25 | 10.58 |
| 148 | 391590 | Plastics waste and scrap nes | 1,590 | 2,117 | 1,910 | 75.10 | 83.24 | 8.14 |
| 149 | 850110 | Electric motors of an output not exceeding 37.5 W | 5,654 | 8,674 | 6,795 | 65.19 | 83.20 | 18.01 |
| 150 | 830230 | Mountings,fittings&similar articles of base metal f motor vehicles,nes | 1,599 | 3,122 | 1,925 | 51.23 | 83.08 | 31.85 |
| 151 | 940190 | Parts of seats other than those of heading No 94.02 | 8,278 | 16,974 | 9,988 | 48.77 | 82.88 | 34.11 |
| 152 | 720270 | Ferro-molybdenum | 1,789 | 4,327 | 2,164 | 41.35 | 82.69 | 41.34 |
| 153 | 381800 | Chemical compds,chem elem in the form of disc,wafer etc,dopd f electrn | 5,389 | 7,118 | 6,535 | 75.71 | 82.46 | 6.75 |
| 154 | 854011 | Cathode-ray television picture tubes,inc video monitor tubes,colour | 4,230 | 5,987 | 5,140 | 70.66 | 82.29 | 11.63 |
| 155 | 400219 | Styren-butadien rubber(SBR)/carboxyltd styren-butadien rubbr(XSBR) nes | 2,091 | 3,255 | 2,554 | 64.22 | 81.86 | 17.64 |
| 156 | 845811 | Horizontal lathes numerically controlled for removing metal | 2,302 | 3,704 | 2,819 | 62.15 | 81.66 | 19.51 |
| 157 | 292250 | Amino-alcohol-phenol,amino-acid-phenol&oth amino-compds w oxygen func | 2,311 | 3,465 | 2,832 | 66.69 | 81.60 | 14.91 |
| 158 | 880320 | Aircraft under-carriages and parts thereof | 1,886 | 2,559 | 2,314 | 73.69 | 81.50 | 7.81 |
| 159 | 392310 | Boxes, cases, crates andsimilar articles of plastic | 3,732 | 6,889 | 4,580 | 54.17 | 81.49 | 27.32 |

| Rank | HS Code | Description | Exports (US$ Billion) | | | Share (In Percentage) | | |
|---|---|---|---|---|---|---|---|---|
| | | | APEC | World | World Less Intra-EU Trade | To World | To World Less Intra-EU Trade | Difference |
| 160 | 853641 | Electrical relays for a voltage not exceeding 60 volts | 1,818 | 3,011 | 2,235 | 60.36 | 81.31 | 20.95 |
| 161 | 847149 | Digital data processing systems, nes | 6,260 | 9,435 | 7,706 | 66.35 | 81.24 | 14.89 |
| 162 | 850431 | Transformers electric power handling capacity not exceeding 1 KVA, nes | 2,436 | 3,787 | 3,001 | 64.33 | 81.17 | 16.84 |
| 163 | 850440 | Static converters, nes | 14,305 | 21,978 | 17,626 | 65.09 | 81.16 | 16.07 |
| 164 | 871120 | Motorcycles with reciprocatg piston engine displacg > 50 cc to 250 cc | 3,353 | 5,051 | 4,132 | 66.39 | 81.14 | 14.75 |
| 165 | 840991 | Parts for spark-ignition type engines nes | 11,632 | 21,785 | 14,371 | 53.39 | 80.94 | 27.55 |
| 166 | 430310 | Articles of apparel and clothing accessories of furskin | 2,423 | 3,216 | 2,997 | 75.35 | 80.86 | 5.51 |
| 167 | 391000 | Silicones in primary forms | 1,958 | 3,179 | 2,428 | 61.61 | 80.65 | 19.04 |
| 168 | 390319 | Polystyrene nes | 3,388 | 5,780 | 4,202 | 58.62 | 80.65 | 22.03 |
| 169 | 441214 | Plywood, outer ply of non-conifer wood nes,ply <6mm | 1,830 | 3,039 | 2,269 | 60.20 | 80.63 | 20.43 |
| 170 | 600230 | Knittd/crochetd tex fab,width > 30 cm,>/=5% of elastomeric/rubber,nes | 2,697 | 3,972 | 3,350 | 67.90 | 80.51 | 12.61 |
| 171 | 852691 | Radio navigational aid apparatus | 3,081 | 5,857 | 3,829 | 52.61 | 80.46 | 27.85 |
| 172 | 820730 | Tools for pressing, stamping or punching | 2,196 | 3,888 | 2,731 | 56.47 | 80.39 | 23.92 |
| 173 | 442190 | Wood articles nes | 2,090 | 3,924 | 2,605 | 53.27 | 80.25 | 26.98 |
| 174 | 540233 | Textured yarn nes,of polyester filaments,not put up for retail sale | 1,547 | 2,423 | 1,927 | 63.84 | 80.24 | 16.40 |
| 175 | 390190 | Polymers of ethylene nes, in primary forms | 3,322 | 5,695 | 4,142 | 58.33 | 80.19 | 21.86 |
| 176 | 854390 | Parts of electrical machines andapparatus havg individual functions,nes | 4,342 | 6,304 | 5,416 | 68.88 | 80.18 | 11.30 |
| 177 | 390760 | Polyethylene terephthalate | 4,551 | 8,053 | 5,678 | 56.51 | 80.14 | 23.63 |
| 178 | 740311 | Copper cathodes and sections of cathodes unwrought | 17,411 | 23,998 | 21,741 | 72.55 | 80.08 | 7.53 |
| 179 | 611120 | Babies garments and clothing accessories of cotton, knitted | 2,292 | 3,489 | 2,867 | 65.71 | 79.95 | 14.24 |
| 180 | 854150 | Semiconductor devices, nes | 3,330 | 4,685 | 4,180 | 71.08 | 79.67 | 8.59 |
| 181 | 854411 | Insulated (including enamelled or anodised) winding wire of copper | 1,879 | 3,602 | 2,360 | 52.16 | 79.61 | 27.45 |
| 182 | 950699 | Articles&equip for sports&outdoor games nes&swimmg&paddlg pools | 2,048 | 3,354 | 2,575 | 61.06 | 79.54 | 18.48 |
| 183 | 842952 | Shovels and excavators with a 360 revolving superstructure | 8,551 | 14,803 | 10,750 | 57.76 | 79.54 | 21.78 |
| 184 | 903290 | Parts&access for automatic regulatg or controllg instruments&app,nes | 2,924 | 4,810 | 3,679 | 60.78 | 79.46 | 18.68 |
| 185 | 840734 | Engines, spark-ignition reciprocating displacing more than 1000 cc | 12,521 | 24,917 | 15,758 | 50.25 | 79.46 | 29.21 |
| 186 | 851290 | Parts of electrical lighting, signalling and defrosting equipment | 1,545 | 3,268 | 1,947 | 47.26 | 79.35 | 32.09 |
| 187 | 270400 | Coke&semi-coke of coal,lignite o peat,agglomeratd o not,retort carbon | 3,520 | 6,248 | 4,438 | 56.34 | 79.31 | 22.97 |
| 188 | 392321 | Sacks and bags (including cones) of polymers of ethylene | 3,382 | 5,857 | 4,265 | 57.74 | 79.29 | 21.55 |
| 189 | 850131 | DC motors, DC generators, of an output not exceeding 750 W | 2,120 | 3,690 | 2,679 | 57.45 | 79.13 | 21.68 |
| 190 | 740200 | Copper unrefined, copper anodes for electrolytic refining | 1,884 | 3,338 | 2,386 | 56.43 | 78.96 | 22.53 |
| 191 | 853221 | Electrical capacitors, fixed, tantalum, nes | 1,625 | 2,288 | 2,063 | 71.00 | 78.77 | 7.77 |
| 192 | 160520 | Shrimps and prawns,prepared or preserved | 2,152 | 3,308 | 2,733 | 65.04 | 78.73 | 13.69 |
| 193 | 392062 | Film and sheet etc, non-cellular etc, of polyethylene terephthalates | 1,929 | 3,413 | 2,451 | 56.52 | 78.70 | 22.18 |
| 194 | 851220 | Lighting or visual signalling equipment nes | 2,525 | 6,243 | 3,212 | 40.45 | 78.62 | 38.17 |
| 195 | 870321 | Automobiles w reciprocatg piston engine displacg not more than 1000 cc | 3,513 | 7,710 | 4,474 | 45.56 | 78.51 | 32.95 |
| 196 | 720918 | Cold rolled iron/steel, coils >600mm x <0.5mm | 2,546 | 3,554 | 3,243 | 71.64 | 78.51 | 6.87 |
| 197 | 940320 | Furniture, metal, nes | 3,708 | 6,854 | 4,741 | 54.10 | 78.21 | 24.11 |
| 198 | 870333 | Automobiles with diesel engine displacing more than 2500 cc | 6,831 | 20,972 | 8,735 | 32.57 | 78.21 | 45.64 |
| 199 | 880390 | Parts of balloons, dirigibles, and spacecraft nes | 2,360 | 3,854 | 3,026 | 61.24 | 77.98 | 16.74 |
| 200 | 853669 | Electrical plugs and sockets, for a voltage not exceeding 1,000 volts | 4,130 | 6,795 | 5,309 | 60.78 | 77.80 | 17.02 |
| 201 | 731815 | Bolts o screws nes,with o without their nuts o washers,iron o steel | 4,978 | 9,183 | 6,398 | 54.20 | 77.79 | 23.59 |
| 202 | 845710 | Machining centres, for working metal | 3,339 | 5,439 | 4,297 | 61.40 | 77.71 | 16.31 |
| 203 | 852491 | Recorded media (except sound/image) nes | 1,828 | 2,934 | 2,355 | 62.31 | 77.62 | 15.31 |
| 204 | 870840 | Tansmissions for motor vehicles | 14,068 | 25,179 | 18,149 | 55.87 | 77.51 | 21.64 |
| 205 | 750110 | Nickel mattes | 1,856 | 2,399 | 2,396 | 77.36 | 77.44 | 0.08 |
| 206 | 841582 | Air cond mach nes, inc a refrigerating unit | 1,607 | 2,902 | 2,075 | 55.38 | 77.44 | 22.06 |
| 207 | 850490 | Parts of electrical transformers, static converters and inductors | 4,576 | 7,070 | 5,916 | 64.72 | 77.35 | 12.63 |
| 208 | 843143 | Parts of boring or sinking machinery, whether or not self-propelled | 9,041 | 12,177 | 11,694 | 74.25 | 77.32 | 3.07 |
| 209 | 890120 | Tankers | 13,386 | 18,251 | 17,345 | 73.34 | 77.17 | 3.83 |
| 210 | 901812 | Ultrasonic scanning apparatus | 1,748 | 2,773 | 2,265 | 63.04 | 77.17 | 14.13 |
| 211 | 851750 | Apparatus for carrier-current/digital line systems | 12,681 | 20,412 | 16,440 | 62.12 | 77.14 | 15.02 |
| 212 | 853690 | Electrical app for switchg/protec elec circuits,not exced 1,000 V,nes | 14,496 | 24,104 | 18,831 | 60.14 | 76.98 | 16.84 |
| 213 | 230120 | Flour,meal&pellet of fish,crust,mol/oth aqua invert,unfit human cons | 1,824 | 2,657 | 2,371 | 68.68 | 76.96 | 8.28 |
| 214 | 391990 | Self-adhesive plates, sheets, film etc, of plastic nes | 3,344 | 6,419 | 4,358 | 52.10 | 76.74 | 24.64 |
| 215 | 870839 | Brake system parts nes for motor vehicles | 6,914 | 14,809 | 9,034 | 46.69 | 76.54 | 29.85 |
| 216 | 848071 | Moulds, injection or compression types, for rubber or plastics | 4,240 | 7,265 | 5,541 | 58.37 | 76.52 | 18.15 |

| Rank | HS Code | Description | Exports (US$ Billion) | | | Share (In Percentage) | | |
|---|---|---|---|---|---|---|---|---|
| | | | APEC | World | World Less Intra-EU Trade | To World | To World Less Intra-EU Trade | Difference |
| 217 | 940540 | Electric lamps and lighting fittings, nes | 2,964 | 5,518 | 3,880 | 53.72 | 76.40 | 22.68 |
| 218 | 310420 | Potassium chloride, in packages weighing more than 10 kg | 3,486 | 4,711 | 4,572 | 74.00 | 76.25 | 2.25 |
| 219 | 841861 | Compression type refrigeratg/freez equip whose condensrs are heat exch | 2,017 | 3,933 | 2,650 | 51.29 | 76.10 | 24.81 |
| 220 | 847190 | Automatic data processing equipment nes | 4,041 | 6,583 | 5,317 | 61.39 | 76.01 | 14.62 |
| 221 | 390730 | Epoxide resins | 2,532 | 4,597 | 3,343 | 55.07 | 75.73 | 20.66 |
| 222 | 848210 | Bearings, ball | 4,331 | 8,892 | 5,722 | 48.70 | 75.68 | 26.98 |
| 223 | 841430 | Compressors of a kind used in refrigerating equipment | 5,231 | 9,411 | 6,927 | 55.58 | 75.51 | 19.93 |
| 224 | 880330 | Aircraft parts nes | 20,534 | 36,708 | 27,200 | 55.94 | 75.49 | 19.55 |
| 225 | 810890 | Titanium and articles thereof, nes | 1,550 | 2,653 | 2,056 | 58.42 | 75.40 | 16.98 |
| 226 | 711210 | Waste&scrap of gold,incl met clad w gold exc sweepgs contg/o prec met | 1,878 | 2,616 | 2,495 | 71.80 | 75.30 | 3.50 |
| 227 | 847150 | Digital processing units not sold as complete systems | 12,378 | 31,316 | 16,449 | 39.53 | 75.25 | 35.72 |
| 228 | 260800 | Zinc ores and concentrates | 2,211 | 3,573 | 2,942 | 61.88 | 75.16 | 13.28 |
| 229 | 480411 | Paper, Kraftliner, in rolls, unbleached, uncoated | 1,615 | 3,203 | 2,152 | 50.40 | 75.04 | 24.64 |
| 230 | 870870 | Wheels including parts and accessories for motor vehicles | 5,078 | 11,314 | 6,772 | 44.88 | 74.99 | 30.11 |
| 231 | 7108 | Gold (incl. gold plated w/ platinum) unwrought/semi-manufactured or powdered | 22,584 | 31,732 | 30,223 | 71.17 | 74.73 | 3.56 |
| 232 | 293090 | Organo-sulphur compounds, nes | 2,797 | 5,023 | 3,754 | 55.68 | 74.50 | 18.82 |
| 233 | 850880 | Tools, nes, hand-held, with selfcontained electric motor | 2,324 | 4,518 | 3,123 | 51.45 | 74.42 | 22.97 |
| 224 | 880330 | Aircraft parts nes | 20,534 | 36,708 | 27,200 | 55.94 | 75.49 | 19.55 |
| 225 | 810890 | Titanium and articles thereof, nes | 1,550 | 2,653 | 2,056 | 58.42 | 75.40 | 16.98 |
| 226 | 711210 | Waste&scrap of gold,incl met clad w gold exc sweepgs contg/o prec met | 1,878 | 2,616 | 2,495 | 71.80 | 75.30 | 3.50 |
| 227 | 847150 | Digital processing units not sold as complete systems | 12,378 | 31,316 | 16,449 | 39.53 | 75.25 | 35.72 |
| 228 | 260800 | Zinc ores and concentrates | 2,211 | 3,573 | 2,942 | 61.88 | 75.16 | 13.28 |
| 229 | 480411 | Paper, Kraftliner, in rolls, unbleached, uncoated | 1,615 | 3,203 | 2,152 | 50.40 | 75.04 | 24.64 |
| 230 | 870870 | Wheels including parts and accessories for motor vehicles | 5,078 | 11,314 | 6,772 | 44.88 | 74.99 | 30.11 |
| 231 | 7108 | Gold (incl. gold plated w/ platinum) unwrought/semi-manufactured or powdered | 22,584 | 31,732 | 30,223 | 71.17 | 74.73 | 3.56 |
| 232 | 293090 | Organo-sulphur compounds, nes | 2,797 | 5,023 | 3,754 | 55.68 | 74.50 | 18.82 |
| 233 | 850880 | Tools, nes, hand-held, with selfcontained electric motor | 2,324 | 4,518 | 3,123 | 51.45 | 74.42 | 22.97 |
| 234 | 854449 | Electric conductors, for a voltage not exceeding 80 V, nes | 2,138 | 4,025 | 2,876 | 53.13 | 74.35 | 21.22 |
| 235 | 841810 | Combined refrigerator-freezers, fitted with separate external doors | 3,347 | 6,005 | 4,516 | 55.74 | 74.11 | 18.37 |
| 236 | 440710 | Lumber, coniferous (softwood) 6 mm and thicker | 12,029 | 22,614 | 16,244 | 53.19 | 74.06 | 20.87 |
| 237 | 392410 | Tableware and kitchenware of plastics | 2,188 | 4,231 | 2,956 | 51.72 | 74.02 | 22.30 |
| 238 | 720917 | Cold rolled iron/steel, coils >600mm x 0.5-1mm | 4,316 | 7,747 | 5,841 | 55.71 | 73.90 | 18.19 |
| 239 | 401120 | Pneumatic tires new of rubber for buses or lorries | 7,178 | 13,744 | 9,723 | 52.22 | 73.82 | 21.60 |
| 240 | 853190 | Parts of electric sound or visual signalling apparatus | 1,573 | 2,787 | 2,143 | 56.45 | 73.42 | 16.97 |
| 241 | 441890 | Builder's joinery and carpentery of wood nes | 2,047 | 4,210 | 2,791 | 48.63 | 73.36 | 24.73 |
| 242 | 611030 | Pullovers, cardigans and similar articles of man-made fibres, knitted | 7,701 | 13,293 | 10,527 | 57.94 | 73.16 | 15.22 |
| 243 | 392690 | Articles of plastics or of other materials of Nos 39.01 to 39.14 nes | 13,671 | 29,644 | 18,708 | 46.12 | 73.08 | 26.96 |
| 244 | 8525 | Transmission apparatus for radio-telephony/-telegraphy/-broadcasting or TV | 104,045 | 186,238 | 142,721 | 55.87 | 72.90 | 17.03 |
| 245 | 901819 | Electro-diagnostic apparatus, nes | 3,858 | 6,068 | 5,294 | 63.59 | 72.88 | 9.29 |
| 246 | 441219 | Plywood nes, at least 1 outer ply of coniferous wood (ply's <6 mm) | 1,774 | 2,973 | 2,435 | 59.67 | 72.86 | 13.19 |
| 247 | 640399 | Footwear, outer soles of rubber/plastics uppers of leather, nes | 10,858 | 21,847 | 14,907 | 49.70 | 72.84 | 23.14 |
| 248 | 852910 | Aerials&aerial reflectors of all kinds;parts suitable f use therewith | 4,202 | 7,523 | 5,772 | 55.86 | 72.80 | 16.94 |
| 249 | 284410 | Natural uranium&its compounds;mixtures cntg natural uranium/its compds | 1,962 | 2,731 | 2,700 | 71.82 | 72.66 | 0.84 |
| 250 | 890190 | Cargo vessels nes&oth vessels for the transport of both persons&goods | 18,248 | 26,828 | 25,143 | 68.02 | 72.58 | 4.56 |
| 251 | 902780 | Instruments and apparatus for physical or chemical analysis, nes | 3,431 | 5,807 | 4,734 | 59.09 | 72.49 | 13.40 |
| 252 | 381121 | Lubricatg oil additives cntg pet oils/oils obtaind from bitu minerals | 2,005 | 3,927 | 2,768 | 51.06 | 72.44 | 21.38 |
| 253 | 721070 | Flat rolled prod,i/nas,painted,varnished or plast coated,>/=600mm wide | 1,843 | 4,594 | 2,547 | 40.13 | 72.37 | 32.24 |
| 254 | 440799 | Lumber, non-coniferous nes | 2,363 | 3,699 | 3,266 | 63.87 | 72.35 | 8.48 |
| 255 | 740811 | Wire of refind copper of which the max cross sectional dimension > 6mm | 4,298 | 8,977 | 5,943 | 47.87 | 72.32 | 24.45 |
| 256 | 100590 | Maize (corn) nes | 6,035 | 10,124 | 8,359 | 59.62 | 72.20 | 12.58 |
| 257 | 847989 | Machines andmechanical appliances nes having individual functions | 20,841 | 33,939 | 28,879 | 61.41 | 72.17 | 10.76 |
| 258 | 8704 | Motor vehicles for the transport of goods. | 40,479 | 82,000 | 56,105 | 49.37 | 72.15 | 22.78 |
| 259 | 870324 | Automobiles with reciprocating piston engine displacing > 3000 cc | 78,339 | 118,245 | 108,610 | 66.25 | 72.13 | 5.88 |
| 260 | 721913 | Flat rolld prod,stainless steel,hr in coil,w>/=600mm,3<> | 2,374 | 4,035 | 3,299 | 58.85 | 71.98 | 13.13 |
| 261 | 853650 | Electrical switches for a voltage not exceeding 1,000 volts, nes | 5,859 | 12,433 | 8,141 | 47.12 | 71.97 | 24.85 |
| 262 | 851790 | Parts of electrical apparatus for line telephone or line telegraphy | 15,839 | 26,351 | 22,015 | 60.11 | 71.94 | 11.83 |
| 263 | 401110 | Pneumatic tire new of rubber f motor car incl station wagons&racg cars | 9,274 | 21,665 | 12,901 | 42.81 | 71.89 | 29.08 |

| Rank | HS Code | Description | Exports ( US$ Billion) | | | Share (In Percentage) | | |
|---|---|---|---|---|---|---|---|---|
| | | | APEC | World | World Less Intra-EU Trade | To World | To World Less Intra-EU Trade | Difference |
| **264** | 292910 | Isocyanates | 2,045 | 3,924 | 2,846 | 52.11 | 71.85 | 19.74 |
| **265** | 391910 | Self-adhesive plates,sheets,film etc,of plastic in rolls <20 cm wide | 1,646 | 3,641 | 2,293 | 45.22 | 71.78 | 26.56 |
| **266** | 853710 | Boards,panels,includg numerical control panels,for a voltage < V> | 10,123 | 18,876 | 14,111 | 53.63 | 71.74 | 18.11 |
| **267** | 392490 | Household and toilet articles nes, of plastics | 2,156 | 3,885 | 3,014 | 55.50 | 71.55 | 16.05 |
| **268** | 870899 | Motor vehicle parts nes | 41,582 | 88,153 | 58,131 | 47.17 | 71.53 | 24.36 |
| **269** | 732393 | Table,kitchen or other household art&parts thereof,stainless steel,nes | 1,922 | 3,271 | 2,688 | 58.74 | 71.48 | 12.74 |
| **270** | 230910 | Dog or cat food put up for retail sale | 1,680 | 5,645 | 2,353 | 29.77 | 71.43 | 41.66 |
| **271** | 720421 | Waste and scrap, stainless steel | 2,057 | 5,502 | 2,881 | 37.39 | 71.42 | 34.03 |
| **272** | 854212 | Cards incorporating electronic integrated circuits | 3,143 | 5,733 | 4,409 | 54.83 | 71.30 | 16.47 |
| **273** | 100190 | Wheat nes and meslin | 9,247 | 16,166 | 13,021 | 57.20 | 71.01 | 13.81 |
| **274** | 711719 | Imitation jewellery nes of base metal whether o not platd w prec metal | 1,690 | 3,088 | 2,382 | 54.75 | 70.97 | 16.22 |
| **275** | 721934 | Flat rolled prod, stainless steel, cr,w>/=600mm,0.5mm< | 1,879 | 4,475 | 2,647 | 41.98 | 70.97 | 28.99 |
| **276** | 711311 | Articles of jewellery&pts therof of silver w/n platd/clad w/o prec met | 1,705 | 2,803 | 2,414 | 60.83 | 70.63 | 9.80 |
| **277** | 903289 | Automatic regulating or controlling instruments and apparatus, nes | 5,865 | 11,922 | 8,304 | 49.20 | 70.63 | 21.43 |
| **278** | 621210 | Brassieres and parts thereof, of textile materials | 3,409 | 6,234 | 4,832 | 54.69 | 70.56 | 15.87 |
| **279** | 691110 | Tableware and kitchenware of porcelain or china | 1,790 | 3,193 | 2,542 | 56.05 | 70.41 | 14.36 |
| **280** | 392329 | Sacks and bags (including cones) of plastics nes | 1,592 | 3,159 | 2,265 | 50.41 | 70.32 | 19.91 |
| **281** | 940350 | Bedroom furniture, wooden, nes | 3,083 | 6,472 | 4,385 | 47.64 | 70.31 | 22.67 |
| **282** | 850410 | Ballasts for discharge lamps or tubes | 1,577 | 3,028 | 2,247 | 52.09 | 70.20 | 18.11 |

Source: ITC TradeMap

## Annex B: Importance of 'Principal Supplier' Goods to APEC Members by Cut-off Level (2005)

| Percent Cut-Off | APEC Member | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Australia | Brunei | Canada | Chile | China | Hong Kong | Indonesia | Japan | Malaysia | Mexico | New Zealand | Papua New Guinea | Peru | Philippines | Russia | South Korea | Singapore | Chinese Taipei | Thailand | United States | Vietnam | APEC |
| **Panel A: Market Potential – Imports by APEC Partners of 'Principal Supplier' Goods, 2005 (US$ Billion)** | | | | | | | | | | | | | | | | | | | | | | |
| 70% | 1,905 | 1,940 | 1,834 | 1,934 | 1,617 | 1,768 | 1,931 | 1,776 | 1,880 | 1,848 | 1,934 | 1,940 | 1,938 | 1,915 | 1,922 | 1,849 | 1,840 | 1,861 | 1,899 | 1,350 | 1,933 | |
| 75% | 1,434 | 1,455 | 1,837 | 1,451 | 1,618 | 1,309 | 1,450 | 1,318 | 1,402 | 1,388 | 1,452 | 1,455 | 1,454 | 1,432 | 1,445 | 1,379 | 1,368 | 1,390 | 1,426 | 1,093 | 1,450 | |
| 80% | 1,234 | 1,249 | 1,203 | 1,246 | 988 | 1,112 | 1,246 | 1,128 | 1,201 | 1,195 | 1,246 | 1,249 | 1,248 | 1,227 | 1,242 | 1,181 | 1,172 | 1,189 | 1,224 | 958 | 1,245 | |
| 85% | 1,011 | 1,023 | 995 | 1,020 | 791 | 899 | 1,021 | 930 | 978 | 982 | 1,021 | 1,023 | 1,022 | 1,001 | 1,018 | 968 | 951 | 974 | 1,002 | 805 | 1,020 | |
| 90% | 572 | 579 | 564 | 577 | 454 | 516 | 578 | 530 | 546 | 558 | 578 | 579 | 579 | 563 | 576 | 555 | 541 | 550 | 565 | 446 | 578 | |
| **Panel B: Share of Products in APEC Members' Exports, 2005 (Percentage)** | | | | | | | | | | | | | | | | | | | | | | |
| 70% | 33.36 | 0.54 | 33.27 | 61.11 | 53.46 | 60.10 | 37.89 | 50.12 | 57.76 | 42.49 | 13.25 | 43.23 | 58.48 | 75.41 | 8.31 | 58.05 | 57.95 | 59.73 | 50.11 | 36.15 | 31.62 | **45.63** |
| 75% | 23.99 | 0.44 | 14.56 | 56.45 | 43.83 | 51.20 | 32.96 | 34.50 | 51.06 | 28.51 | 6.69 | 21.80 | 39.07 | 71.05 | 5.31 | 39.97 | 50.97 | 53.12 | 40.53 | 25.89 | 21.47 | **34.60** |
| 80% | 21.90 | 0.38 | 10.25 | 51.83 | 39.90 | 47.45 | 29.63 | 26.18 | 48.65 | 23.16 | 5.33 | 21.59 | 26.98 | 64.49 | 4.11 | 33.75 | 46.23 | 48.58 | 34.88 | 18.99 | 19.80 | **29.42** |
| 85% | 4.54 | 0.07 | 5.76 | 25.67 | 34.40 | 42.99 | 22.20 | 21.63 | 44.35 | 11.85 | 4.54 | 21.54 | 16.60 | 62.99 | 1.56 | 29.78 | 42.59 | 43.61 | 29.30 | 14.25 | 15.70 | **24.05** |
| 90% | 0.86 | 0.05 | 2.32 | 9.59 | 23.69 | 21.58 | 13.98 | 10.59 | 29.07 | 5.43 | 2.99 | 1.29 | 8.23 | 50.54 | 1.10 | 13.84 | 27.02 | 28.95 | 21.71 | 6.67 | 9.59 | **13.97** |
| **Panel C: Share of Products in APEC Members' Imports, 2005 (Percentage)** | | | | | | | | | | | | | | | | | | | | | | |
| 70% | 30.44 | 23.03 | 33.90 | 23.85 | 48.99 | 57.42 | 16.72 | 32.00 | 53.24 | 41.91 | 26.09 | 14.99 | 22.02 | 54.66 | 18.52 | 35.20 | 50.27 | 43.80 | 34.89 | 34.12 | 23.76 | **38.45** |
| 75% | 17.85 | 17.01 | 21.66 | 13.75 | 43.59 | 48.64 | 8.98 | 26.55 | 46.40 | 30.28 | 14.81 | 7.77 | 13.24 | 49.41 | 10.12 | 29.32 | 43.55 | 36.12 | 25.24 | 20.90 | 16.67 | **28.83** |
| 80% | 13.03 | 8.55 | 14.63 | 10.78 | 39.53 | 45.52 | 6.04 | 23.44 | 42.15 | 24.35 | 10.80 | 4.15 | 9.85 | 46.72 | 7.44 | 26.22 | 38.51 | 33.29 | 21.41 | 16.80 | 12.72 | **24.74** |
| 85% | 9.97 | 6.30 | 8.68 | 8.15 | 35.05 | 41.14 | 3.91 | 18.04 | 38.87 | 18.39 | 8.11 | 3.30 | 5.98 | 45.35 | 4.92 | 21.01 | 35.96 | 26.67 | 17.69 | 12.55 | 9.22 | **20.26** |
| 90% | 6.33 | 4.20 | 4.78 | 6.17 | 19.01 | 20.93 | 1.60 | 9.44 | 29.04 | 9.56 | 5.16 | 1.33 | 3.60 | 34.63 | 3.29 | 9.34 | 19.26 | 16.13 | 11.82 | 7.69 | 4.27 | **11.47** |
| **Panel D: Discrepancy in APEC Members' Share of Exports and Share of Imports, 2005 (Percentage)** | | | | | | | | | | | | | | | | | | | | | | |
| 70% | 2.92 | -22.49 | -0.63 | 37.26 | 4.47 | 2.68 | 21.17 | 18.12 | 4.52 | 0.58 | -12.84 | 28.24 | 36.46 | 20.75 | -10.21 | 22.85 | 7.68 | 15.93 | 15.22 | 2.03 | 7.86 | **7.18** |
| 75% | 6.14 | -16.57 | -7.1 | 42.7 | 0.24 | 2.56 | 23.98 | 7.95 | 4.66 | -1.77 | -8.12 | 14.03 | 25.83 | 21.64 | -4.81 | 10.65 | 7.42 | 17 | 15.29 | 4.99 | 4.8 | **5.77** |
| 80% | 8.87 | -8.17 | -4.38 | 41.05 | 0.37 | 1.93 | 23.59 | 2.74 | 6.5 | -1.19 | -5.47 | 17.44 | 17.13 | 17.77 | -3.33 | 7.53 | 7.72 | 15.29 | 13.47 | 2.19 | 7.08 | **4.68** |
| 85% | -5.43 | -6.23 | -2.92 | 17.52 | -0.65 | 1.85 | 18.29 | 3.59 | 5.48 | -6.54 | -3.57 | 18.24 | 10.62 | 17.64 | -3.36 | 8.77 | 6.63 | 16.94 | 11.61 | 1.7 | 6.48 | **3.79** |
| 90% | -5.47 | -4.15 | -2.46 | 3.42 | 4.68 | 0.65 | 12.38 | 1.15 | 0.03 | -4.13 | -2.17 | -0.04 | 4.63 | 15.91 | -2.19 | 4.5 | 7.76 | 12.82 | 9.89 | -1.02 | 5.32 | **2.50** |

Source: Authors' calculations using ITC TradeMap data

## Annex C: Importance of 'Principal Supplier' Goods to APEC Members by Sector (2005)

| Sector | APEC Member | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Australia | Brunei | Canada | Chile | China | Hong Kong | Indonesia | Japan | Malaysia | Mexico | New Zealand | Papua New Guinea | Peru | Philippines | Russia | South Korea | Singapore | Chinese Taipei | Thailand | United States | Vietnam | APEC |
| **Panel A: Market Potential – Imports by APEC Partners of 'Principal Supplier' Goods, 2005 (US$ Billion)** | | | | | | | | | | | | | | | | | | | | | | |
| **Electronics** | 778 | 787 | 765 | 786 | 631 | 689 | 785 | 735 | 749 | 750 | 786 | 787 | 787 | 770 | 781 | 725 | 745 | 748 | 768 | 612 | 786 | |
| **Transportation Equipments** | 241 | 249 | 214 | 247 | 239 | 248 | 247 | 240 | 246 | 234 | 247 | 249 | 249 | 248 | 246 | 244 | 245 | 246 | 245 | 108 | 248 | |
| **Machineries** | 447 | 456 | 431 | 455 | 367 | 418 | 455 | 417 | 444 | 437 | 455 | 457 | 456 | 452 | 453 | 431 | 437 | 439 | 448 | 321 | 455 | |
| **Metals and Metal Products** | 57 | 57 | 54 | 57 | 40 | 55 | 57 | 54 | 56 | 54 | 57 | 57 | 57 | 57 | 57 | 56 | 53 | 53 | 55 | 45 | 57 | |
| **Wood and Wood Products** | 41 | 41 | 40 | 41 | 37 | 41 | 41 | 34 | 41 | 40 | 41 | 41 | 41 | 41 | 41 | 41 | 40 | 40 | 41 | 20 | 41 | |
| **Textile and Garments** | 31 | 31 | 30 | 31 | 27 | 25 | 31 | 28 | 31 | 30 | 31 | 31 | 31 | 31 | 31 | 31 | 31 | 31 | 31 | 20 | 30 | |
| **Footwear and Others** | 24 | 25 | 24 | 25 | 25 | 20 | 25 | 22 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 11 | 25 | |
| **Agricultureand Raw Materials** | 71 | 72 | 69 | 70 | 62 | 71 | 71 | 43 | 71 | 69 | 72 | 72 | 71 | 71 | 71 | 72 | 61 | 67 | 71 | 67 | 71 | |
| **Rubbers and Plastics** | 85 | 87 | 82 | 87 | 71 | 80 | 87 | 81 | 85 | 79 | 87 | 87 | 87 | 87 | 86 | 85 | 84 | 85 | 85 | 63 | 87 | |
| **Chemicals** | 40 | 40 | 39 | 40 | 25 | 39 | 39 | 38 | 39 | 38 | 40 | 40 | 40 | 40 | 40 | 39 | 37 | 35 | 39 | 34 | 40 | |
| **Miscellaneous Manufactures** | 56 | 58 | 53 | 58 | 57 | 51 | 58 | 52 | 58 | 56 | 58 | 58 | 58 | 58 | 57 | 57 | 57 | 57 | 58 | 24 | 58 | |
| **TOTAL Sectors** | **1,871** | **1,905** | **1,801** | **1,898** | **1,583** | **1,737** | **1,895** | **1,744** | **1,845** | **1,812** | **1,898** | **1,905** | **1,902** | **1,880** | **1,887** | **1,805** | **1,815** | **1,827** | **1,866** | **1,325** | **1,897** | |
| **Panel B: Share of Products in Members' Exports, 2005 (Percentage)** | | | | | | | | | | | | | | | | | | | | | | |
| **Electronics** | 1.20 | 0.03 | 3.59 | 0.09 | 19.45 | 31.91 | 6.39 | 16.88 | 30.41 | 20.48 | 2.04 | 0.03 | 0.26 | 48.07 | 0.28 | 34.69 | 26.16 | 30.89 | 16.57 | 11.19 | 4.90 | **17.17** |
| **Transportation Equipments** | 2.39 | 0.01 | 15.43 | 0.56 | 2.80 | 0.36 | 1.33 | 13.58 | 0.57 | 8.41 | 0.86 | 0.61 | 0.01 | 4.55 | 0.52 | 1.42 | 10.41 | 2.82 | 6.37 | 7.58 | 0.81 | **6.39** |
| **Machineries** | 1.63 | 0.03 | 3.00 | 0.21 | 17.72 | 14.75 | 3.61 | 13.16 | 17.49 | 8.59 | 1.20 | 0.04 | 0.09 | 19.44 | 0.24 | 16.63 | 12.49 | 15.00 | 13.89 | 9.54 | 1.91 | **11.30** |
| **Metals and Metal Products** | 1.21 | 0.00 | 1.20 | 29.58 | 0.71 | 0.76 | 3.19 | 1.51 | 0.44 | 0.55 | 0.24 | 0.00 | 13.30 | 0.95 | 1.66 | 0.41 | 2.12 | 2.72 | 0.86 | 0.59 | 0.24 | **1.35** |
| **Wood and Wood Products** | 0.18 | 0.00 | 3.18 | 4.60 | 0.31 | 0.08 | 1.90 | 0.03 | 1.09 | 0.06 | 5.29 | 0.40 | 0.18 | 0.41 | 2.33 | 0.03 | 0.12 | 0.07 | 0.26 | 0.71 | 0.13 | **0.72** |
| **Textile and Garments** | 1.35 | 0.43 | 0.12 | 0.05 | 2.36 | 2.55 | 1.18 | 0.26 | 0.27 | 0.28 | 0.77 | 0.00 | 0.24 | 0.64 | 0.01 | 0.15 | 1.62 | 1.80 | 1.04 | 0.25 | 2.61 | **0.94** |
| **Footwear and Others** | 0.01 | 0.01 | 0.03 | 0.01 | 2.15 | 1.82 | 1.35 | 0.00 | 0.07 | 0.05 | 0.10 | 0.00 | 0.05 | 0.08 | 0.00 | 0.04 | 0.05 | 0.07 | 0.70 | 0.04 | 12.31 | **0.62** |
| **Agriculture and Raw Materials** | 20.66 | 0.00 | 1.97 | 24.63 | 1.45 | 0.02 | 12.76 | 0.11 | 3.08 | 0.41 | 0.46 | 21.35 | 25.92 | 0.09 | 2.24 | 0.06 | 0.04 | 0.01 | 1.82 | 2.00 | 3.30 | **2.11** |
| **Rubbers and Plastics** | 0.22 | 0.01 | 1.56 | 0.41 | 1.91 | 2.42 | 4.80 | 1.93 | 2.98 | 1.37 | 1.07 | 0.19 | 0.34 | 0.60 | 0.26 | 1.16 | 2.82 | 3.80 | 6.59 | 1.88 | 1.49 | **2.01** |
| **Chemicals** | 0.02 | 0.00 | 1.29 | 0.01 | 0.10 | 0.13 | 0.65 | 1.83 | 0.70 | 0.14 | 0.01 | 0.00 | 0.00 | 0.00 | 0.75 | 2.87 | 1.84 | 1.38 | 0.61 | 0.93 | 0.00 | **0.94** |
| **Miscellaneous Manufactures** | 1.31 | 0.14 | 1.34 | 0.40 | 0.12 | 2.28 | 0.08 | 0.94 | 0.15 | 0.64 | 1.20 | 0.07 | 0.26 | 0.29 | 0.16 | 0.19 | 0.27 | 0.24 | 0.16 | 3.75 | 0.14 | **1.24** |
| **TOTAL Sectors** | **30.18** | **0.67** | **32.72** | **60.55** | **49.07** | **57.06** | **37.24** | **50.24** | **57.24** | **40.98** | **13.22** | **22.70** | **40.64** | **75.12** | **8.44** | **57.64** | **57.93** | **58.79** | **48.88** | **38.47** | **27.85** | **44.79** |
| **Panel C: Share of Products in Members' Imports, 2005 (Percentage)** | | | | | | | | | | | | | | | | | | | | | | |
| **Electronics** | 7.97 | 4.04 | 7.10 | 5.85 | 23.74 | 32.91 | 3.40 | 10.19 | 33.50 | 17.08 | 6.10 | 1.77 | 6.33 | 36.72 | 6.76 | 31.44 | 16.18 | 21.94 | 16.53 | 10.10 | 5.15 | **15.60** |
| **Transportation Equipments** | 7.05 | 4.65 | 11.21 | 5.00 | 1.44 | 0.47 | 3.96 | 1.65 | 2.40 | 6.63 | 7.84 | 6.13 | 2.72 | 1.67 | 3.45 | 2.60 | 1.67 | 1.43 | 3.02 | 8.15 | 3.23 | **4.93** |
| **Machineries** | 7.99 | 8.64 | 8.02 | 4.04 | 13.50 | 12.88 | 3.01 | 7.65 | 10.75 | 8.86 | 6.18 | 4.48 | 4.19 | 10.40 | 3.89 | 12.79 | 7.50 | 9.71 | 7.27 | 7.83 | 5.02 | **9.05** |
| **Metals and Metal Products** | 0.41 | 0.39 | 1.01 | 0.35 | 2.58 | 0.79 | 1.11 | 0.68 | 1.57 | 1.38 | 0.52 | 0.23 | 0.49 | 0.46 | 0.36 | 0.57 | 1.47 | 2.16 | 2.12 | 0.71 | 2.02 | **1.14** |
| **Wood and Wood Products** | 0.57 | 0.13 | 0.40 | 0.30 | 0.65 | 0.17 | 0.42 | 1.44 | 0.23 | 0.59 | 0.31 | 0.05 | 0.58 | 0.43 | 0.06 | 0.12 | 0.59 | 0.52 | 0.56 | 1.23 | 0.55 | **0.82** |
| **Textile and Garments** | 0.36 | 1.93 | 0.32 | 0.65 | 0.68 | 1.99 | 0.24 | 0.63 | 0.08 | 0.71 | 0.50 | 0.03 | 0.72 | 0.71 | 0.25 | 0.18 | 0.18 | 0.12 | 0.29 | 0.63 | 3.35 | **0.62** |
| **Footwear and Others** | 0.50 | 0.23 | 0.33 | 0.84 | 0.03 | 1.51 | 0.03 | 0.54 | 0.04 | 0.16 | 0.53 | 0.17 | 0.47 | 0.05 | 0.28 | 0.08 | 0.18 | 0.17 | 0.04 | 0.79 | 0.02 | **0.49** |
| **Agriculture and Raw Materials** | 0.24 | 0.45 | 0.84 | 4.14 | 1.41 | 0.26 | 1.67 | 5.60 | 0.60 | 1.18 | 0.61 | 0.54 | 2.96 | 2.28 | 0.94 | 0.11 | 3.99 | 2.72 | 0.64 | 0.29 | 1.05 | **1.42** |
| **Rubbers and Plastics** | 1.74 | 1.73 | 1.85 | 1.63 | 2.46 | 2.54 | 0.93 | 1.30 | 1.81 | 3.60 | 1.69 | 1.22 | 2.54 | 1.11 | 1.62 | 0.95 | 1.14 | 1.38 | 1.80 | 1.43 | 1.90 | **1.73** |
| **Chemicals** | 0.28 | 0.10 | 0.36 | 0.31 | 2.21 | 0.31 | 1.76 | 0.34 | 0.85 | 0.87 | 0.46 | 0.16 | 0.52 | 0.44 | 0.32 | 0.67 | 1.33 | 2.60 | 0.70 | 0.34 | 0.82 | **0.79** |
| **Miscellaneous Manufactures** | 1.17 | 0.59 | 1.54 | 0.52 | 0.13 | 2.22 | 0.11 | 1.09 | 0.18 | 0.62 | 0.99 | 0.13 | 0.35 | 0.14 | 0.40 | 0.22 | 0.29 | 0.25 | 0.15 | 1.96 | 0.14 | **1.14** |
| **TOTAL Sectors** | **28.29** | **22.88** | **32.97** | **23.61** | **48.82** | **56.06** | **16.67** | **31.10** | **52.03** | **41.68** | **25.73** | **14.90** | **21.87** | **54.41** | **18.34** | **49.73** | **34.52** | **42.99** | **33.12** | **33.45** | **23.25** | **37.73** |
| **Panel D: Discrepancy in APEC Members' Share of Exports and Share of Imports, 2005 (Percentage)** | | | | | | | | | | | | | | | | | | | | | | |
| **Electronics** | -6.77 | -4.01 | -3.51 | -5.76 | -4.29 | -1 | 2.99 | 6.69 | -3.09 | 3.4 | -4.06 | -1.74 | -6.07 | 11.35 | -6.48 | 3.25 | 9.98 | 8.95 | 0.04 | 1.09 | -0.25 | **1.57** |
| **Transportation Equipments** | -4.66 | -4.64 | 4.22 | -4.44 | 1.36 | -0.11 | -2.63 | 11.93 | -1.83 | 1.78 | -6.98 | -5.52 | -2.71 | 2.88 | -2.93 | -1.18 | 8.74 | 1.39 | 3.35 | -0.57 | -2.42 | **1.46** |
| **Machineries** | -6.36 | -8.61 | -5.02 | -3.83 | 4.22 | 1.87 | 0.6 | 5.51 | 6.74 | -0.27 | -4.98 | -4.44 | -4.1 | 9.04 | -3.65 | 3.84 | 4.99 | 5.29 | 6.62 | 1.71 | -3.11 | **2.25** |
| **Metals and Metal Products** | 0.8 | -0.39 | 0.19 | 29.23 | -1.87 | -0.03 | 2.08 | 0.83 | -1.13 | -0.83 | -0.28 | -0.23 | 12.81 | 0.49 | 1.3 | -0.16 | 0.65 | 0.56 | -1.26 | -0.12 | -1.78 | **0.21** |
| **Wood and Wood Products** | -0.39 | -0.13 | 2.78 | 4.3 | -0.34 | -0.09 | 1.48 | -1.41 | 0.86 | -0.53 | 4.98 | 0.35 | -0.4 | -0.02 | 2.27 | -0.09 | -0.47 | -0.45 | -0.3 | -0.52 | -0.42 | **-0.10** |
| **Textile and Garments** | 0.99 | -1.5 | -0.2 | -0.6 | 1.68 | 0.56 | 0.94 | -0.37 | 0.19 | -0.43 | 0.27 | -0.03 | -0.48 | -0.07 | -0.24 | -0.03 | 1.44 | 1.68 | 0.75 | -0.38 | -0.74 | **0.32** |
| **Footwear and Others** | -0.49 | -0.22 | -0.3 | -0.83 | 2.12 | 0.31 | 1.32 | -0.54 | 0.03 | -0.11 | -0.43 | -0.17 | -0.42 | 0.03 | -0.28 | -0.04 | -0.13 | -0.1 | 0.66 | -0.75 | 12.29 | **0.13** |
| **Agriculture and Raw Materials** | 20.42 | -0.45 | 1.13 | 20.49 | 0.04 | -0.24 | 11.09 | -5.49 | 2.48 | -0.77 | -0.15 | 20.81 | 22.96 | -2.19 | 1.3 | -0.05 | -3.95 | -2.71 | 1.18 | 1.71 | 2.25 | **0.69** |
| **Rubbers and Plastics** | -1.52 | -1.72 | -0.29 | -1.22 | -0.55 | -0.12 | 3.87 | 0.63 | 1.17 | -2.23 | -0.62 | -1.03 | -2.2 | -0.51 | -1.36 | 0.21 | 1.68 | 2.42 | 4.79 | 0.45 | -0.41 | **0.28** |
| **Chemicals** | -0.26 | -0.1 | 0.93 | -0.3 | -2.11 | -0.18 | -1.11 | 1.49 | -0.15 | -0.73 | -0.45 | -0.16 | -0.52 | -0.44 | 0.43 | 2.2 | 0.51 | -1.22 | -0.09 | 0.59 | -0.82 | **0.15** |
| **Miscellaneous Manufactures** | 0.14 | -0.45 | -0.2 | -0.12 | -0.01 | 0.06 | -0.03 | -0.15 | -0.03 | 0.02 | 0.21 | -0.06 | -0.09 | 0.15 | -0.24 | -0.03 | -0.02 | -0.01 | 0.01 | 1.79 | 0 | **0.10** |
| **TOTAL Sectors** | **1.89** | **-22.21** | **-0.25** | **36.94** | **0.25** | **1.00** | **20.57** | **19.14** | **5.21** | **-0.70** | **-12.51** | **7.80** | **18.77** | **20.71** | **-9.9** | **7.91** | **23.41** | **15.8** | **15.76** | **5.02** | **4.60** | **7.06** |

Source: Authors' calculations using ITC TradeMap data

## Annex D: Comparative Analysis of 'Principal Supplier' Goods and the Products in the 1998 APEC EVSL Sectors and 2008 WTO NAMA Sectoral Proposal

| Sector | 'Principal Supplier' Goods | | In 1998 APEC EVSL | | In 2008 WTO NAMA Sectoral Proposal | |
|---|---|---|---|---|---|---|
| | No. of Tariff Lines | Share to Total 'Principal Supplier' Goods (%) | No. of Tariff Lines | Share to Sector (%) | No. of Tariff Lines | Share to Sector (%) |
| **TOTAL 'Principal Supplier' Goods** | **282** | **100.00** | **123** | **45.04** | **189** | **67.02** |
| **TOTAL Sectors** | **272** | **96.45** | **127** | **43.62** | **186** | **65.96** |
| **Electronics** | 77 | 27.30 | 24 | 8.51 | 75 | 26.60 |
| **Transport equipments** | 21 | 7.45 | 9 | 3.19 | 10 | 3.55 |
| **Machineries** | 49 | 17.38 | 32 | 11.35 | 45 | 15.96 |
| **Metal and metal products** | 20 | 7.09 | 5 | 1.77 | 1 | 0.35 |
| **Wood and wood products** | 12 | 4.26 | 12 | 4.26 | 12 | 4.26 |
| **Textile and garments** | 15 | 5.32 | 0 | 0.00 | 0 | 0.00 |
| **Footwear and headgear** | 7 | 2.48 | 0 | 0.00 | 0 | 0.00 |
| **Agricultural goods and raw materials** | 18 | 6.38 | 10 | 3.55 | 0 | 0.00 |
| **Plastics and rubbers** | 26 | 9.22 | 8 | 2.84 | 20 | 7.09 |
| **Chemicals** | 13 | 4.61 | 13 | 4.61 | 13 | 4.61 |
| **Miscellaneous manufactures** | 14 | 4.96 | 10 | 3.55 | 10 | 3.55 |

Source: Authors' calculations based on APEC (1998) and WTO (2006)

## Annex E: Application of the Indicative Offensive and Defensive Criteria

| Sector | Offensive Interest | | | | Defensive Interest | | | |
|---|---|---|---|---|---|---|---|---|
| | Value of Phils. Exports to APEC (US$ Million) | Share to Phils. Exports to APEC (%) | APEC Partners' Ave. Applied MFN Tariff (% *Ad valorem*) | Category | Simple Ave. of the Applied MFN Tariffs of APEC Members* (% *Ad valorem*) | Phils. Simple Ave. Applied MFN Tariff (% *Ad valorem*) | Share of Imports with Tariff Peaks (%) | Category |
| **TOTAL 'Principal Supplier' Goods** | **20,553** | **61.50** | **4.38** | **B** | **6.92** | **6.21** | **20.37** | **B** |
| **TOTAL Sectors** | **20,443** | **61.17** | **4.29** | **B** | **6.68** | **6.11** | **19.47** | **B** |
| **Sectors:** | | | | | | | | |
| **Electronics** | 11,438 | 34.22 | 1.71 | B | 5.54 | 3.51 | 10.39 | B |
| **Transport equipments** | 1,200 | 3.59 | 7.69 | C | 8.24 | 15.23 | 42.86 | C |
| **Machineries** | 6,746 | 20.18 | 1.40 | C | 4.67 | 2.19 | 21.28 | B |
| **Metal and metal products** | 386 | 1.16 | 3.41 | C | 4.81 | 4.25 | 5.26 | C |
| **Wood and wood products** | 142 | 0.43 | 3.08 | C | 5.80 | 7.95 | 33.33 | C |
| **Textile and garments** | 189 | 0.56 | 17.12 | C | 12.25 | 9.41 | 35.71 | B |
| **Footwear and headgear** | 26 | 0.08 | 8.19 | C | 8.37 | 15.00 | 100.00 | C |
| **Agricultural goods and raw materials** | 38 | 0.12 | 17.19 | C | 15.55 | 10.76 | 35.71 | B |
| **Plastics and rubbers** | 191 | 0.57 | 4.66 | C | 3.76 | 8.14 | 28.00 | C |
| **Chemicals** | 1 | 0.00 | 1.34 | C | 3.76 | 1.42 | 0.00 | A |
| **Miscellaneous manufactures** | 86 | 0.26 | 2.33 | C | 5.84 | 8.80 | 35.71 | C |

Source: Authors calculations using ITC TradeMap and WTO IDB data

Note: *Based on the figures in the 2008 WTO World Tariff Profile in Table 10.
Electronics: Average of the Simple Average MFN Applied Tariffs of the 21 APEC Member Economies for the Eletrical machinery sector.
Transport equipments: Average of the Simple Average MFN Applied Tariffs of the 21 APEC Member Economies for the Transport equipments sector.
Machineries: Average of the Simple Average MFN Applied Tariffs of the 21 APEC Member Economies for the Non-electrical machinery and Electrical machinery sectors
Metal and metal products: Average of the Simple Average MFN Applied Tariffs of the 21 APEC Member Economies for the Minerals and metals sector.
Wood and wood products: Average of the Simple Average MFN Applied Tariffs of the 21 APEC Member Economies for the Wood, paper, etc. sector.
Textile and garments: Average of the Simple Average MFN Applied Tariffs of the 21 APEC Member Economies for the Textiles and clothing sector.
Footwear and headgear: Average of the Simple Average MFN Applied Tariffs of the 21 APEC Member Economies for the Leather, footwear, etc. sector
Agricultural goods and raw materials: Average of the Simple Average MFN Applied Tariffs of the 21 APEC Member Economies for Animal products; Dairy products; Fruit, vegetables, and plants, Coffe and tea; Cereals and preparations; Oilseeds, fats, and oils, Sugar and confectionery; Beverages and tobacco; Cotton; and Other agri sectors.
Plastics and rubbers: Average of the Simple Average MFN Applied Tariffs of the 21 APEC Member Economies for the Chemicals sector.
Chemicals: Average of the Simple Average MFN Applied Tariffs of the 21 APEC Member Economies for the Chemicals sector.
Miscellaneous manufactures: Average of the Simple Average MFN Applied Tariffs of the 21 APEC Member Economies for the Manufactures, nes. sector.